Austria	Sch24	Iran	Rls410	Pakistan	Rs35
Bahrain	Din0.750	Israel	Shk3.50	Philippines	Pes45
Belgium	BFr65	Italy	L2600	Poland	Zl 9,000
Cyprus	C£0.90	Jordan	JD1	Portugal	Esc165
Denmark	DKr12.00	Korea	Won 2000	Qatar	QR9.50
Egypt	E£3.25	Kuwait	Fils.500	S.Arabia	SR7.00
Finland	Fmk8.25	Lebanon	L£400.00	Singapore	S$4.10
France	FFr7.50	Lux	LFr65	Spain	Pta185
Germany	DM2.80	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr160	Morocco	MDh9.00	Switz	SFr2.80
Hungary	Ft127	Neth	Fl 3.25	Thailand	Bt50
Iceland	IKr160	Nigeria	Naira12	Tunisia	Din0.800
India	Rs15	Norway	NKr12.00	Turkey	L2000
Indonesia	Rp3100	Oman	OR1	UAE	Dh7.00

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FOREIGN AFFAIRS

Japan reassesses its role in the world

Page 17

World News

EC talks split brings down Norwegian government

Norway looked set for a Labour-led coalition government following the decision by the tiny Centre party to quit the centre-right administration led by Jan Syse in a dispute over links with the European Community. Page 18

Township killings

Sixteen blacks were killed and more than 30 wounded in a series of gun attacks in Soweto, raising fears of a resumption of the faction fighting which has killed nearly 800 South African blacks since mid-August. Page 6

UN invites claims

The UN Security Council invited countries to file claims against Iraq for financial losses caused by the invasion and annexation of Kuwait and to begin assembling evidence of war crimes committed by the occupying forces. Page 18

Victory for president

Veteran Ivory Coast leader Felix Houphouet-Boigny won a clear victory in the country's first contested presidential elections, interior ministry sources said.

Troops blocked

Gagauz militants in Moldavia set up cordons to prevent Soviet troops from entering their region and enforcing state-of-emergency measures.

Franco-Soviet treaty

France and the Soviet Union signed an ambitious co-operation treaty in which they pledged to agree common policies during international crises. Page 3

Advice to Brandt

The German government advised former chancellor Willy Brandt to refrain from going to Iraq on a private mission to free hostages.

Egypt claims squads

Egypt said it had captured several Palestinian sabotage squads, including one that received orders from Iraq.

Temple clashes kill 4

Tension mounted in the north Indian state of Uttar Pradesh after at least four people were killed in Hindu-Moslem clashes on the eve of the attempt by Hindu militants to start building a temple at Ayodhya, where an historic Moslem mosque is located. Page 6

Nephew as minister

President Turgut Ozal's nephew, Husnu Dogan, was named as Turkey's new defence minister to succeed Safa Giray, who resigned after inter-cabinet rifts.

Suffrage vote

Western Samoans voted in a referendum on whether to bring universal suffrage to their tradition-bound Pacific island nation.

Politician charged

Former Queensland premier Sir Joh Bjelke-Petersen, one of Australia's most controversial politicians, was charged with corruption and perjury. Page 6

EC boycott threat

Indonesia said it would boycott goods from the European Community if the EC went ahead with a ban on timber imports from neighbouring Malaysia.

Winners concede

The last few opposition leaders not in jail after a week of arrests, raids and intimidation in Burma, gave in to army demands that they abandon claims to an overwhelming mandate to rule, a Burmese source said.

An aid to survival

Spanish tobacco company Tabacalera is to send Soviet smokers a present of four million cigarettes to help them survive a chronic shortage.

Business Summary

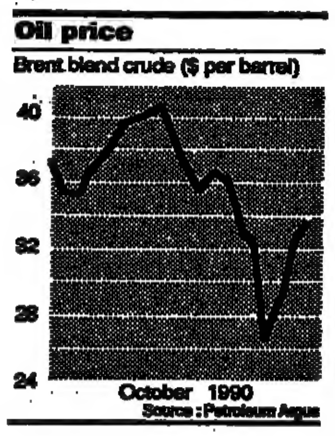
Chrysler posts third quarter net losses of $214m

Chrysler, US motor manufacturer which has suffered sharp decline in market share and faces possible confrontation with United Auto Workers union, has reported a $214m third quarter net loss. This was marginally better than Wall Street expectations of some $250m. Page 19

MARKETS: Oil prices firmed on Monday, but the market lost some early gains on news that talks between the Soviet Union and Iraq had made little progress. Wall Street: At mid-session, Dow Jones Industrial Average was 4.21 lower at 2,431.93. Tokyo: Nikkei Average ended at 25,329.31, up 323.67. Frankfurt: DAX index closed 2.56 lower at 1,454.49. Back Page, Section II

Oil price

Brent blend crude ($ per barrel)



Source: Petroleum Argus

BRENT Walker, indebted UK leisure group, has won respite as bankers agreed in principle to change its borrowing arrangements. A document has been sent to shareholders regarding a £103.3m ($203.5m) convertible bond issue. Page 18; Lex, Page 18

DENTSU, Japanese advertising agency, is to take a 40 per cent stake in Collett Dickenson Pearce, private UK agency, in what is believed to be the largest Japanese move into UK advertising. Page 19

US agency in charge of rescuing the savings and loan industry is considering whether to use a legal loophole to borrow extra funds. Page 18

EUROPEAN Community has taken step towards single market in gas by agreeing in principle to make it easier for utilities to move gas through pipelines in neighbouring member states. Page 3

TSARIST bonds: French small investors may retrieve some of the money their grandparents invested in Imperial Russian Railways after the signature of a Franco-Soviet treaty. Page 18

STEEL: Growth in world steel markets is slowing, putting producers under increasing financial pressure. Page 2

MERCK Finck: Adolf Kracht is to quit as partner responsible for the daily running of Munich family bank. Page 19

ROBERT Maxwell, UK publisher, and Gruner & Jahr, publishers of Stern magazine, have, in a 50-50 partnership, taken over Berliner Verlag, a publishing house owned by the successor to East German Communist party. Page 2

MERRILL Lynch, largest US securities firm, has unveiled details of a management shake-up to end its two-sector structure, replacing it with six divisional units. Page 24

MILK quotas introduced against farmers' wishes by European Community in 1984 will have to be renewed in 1992 to avoid "an erratic downward adjustment of milk prices", a senior Commission official said. Page 38

PIONEER, Japanese consumer electronics company, has chosen the UK's EETPU electricians' union for a single-union deal in a move representing a setback to rival British unions. Page 11

Crisis meetings called to prevent Gatt breakdown

By William Dullforce in Geneva and Peter Montagnon in London

THE General Agreement on Tariffs and Trade has scheduled a series of crisis meetings over the next week to avert a complete breakdown of the Uruguay round of multilateral trade liberalisation talks.

Senior officials from member countries agreed on the schedule after European Community leaders failed at their summit in Rome last weekend to resolve differences over farm trade liberalisation, a core part of the Uruguay efforts to reform the international trading system.

The move came as Mr John Crosbie, Canada's trade minister, warned in a blistering attack on the EC of possible failure in the Uruguay round which could spark an economic depression similar to that of the 1930s.

"The situation now is a lot worse than anyone ever contemplated that it could be." The responsibility was "firmly fixed" on the EC, especially France and Germany, he said during a visit to London.

Mr Crosbie welcomed support for farm reform at the Rome summit from Mrs Margaret Thatcher, Britain's prime minister, but he said that France and Germany which blocked reform "are apparently prepared to see the whole Uruguay round fail".

The impasse at the Rome summit means that the EC has still not submitted farm reform proposals to Gatt just five weeks before the round of talks is due to end. This has brought almost to a standstill the four-year attempt to avert a slide into trade wars and protectionism.

The crisis talks will begin on Friday with an informal meeting of Gatt's Trade Negotiations Committee (TNC) which is responsible for the talks. At that meeting, Mr Arthur Dunkel, Gatt director-general, will outline the problems now facing the talks.

It will be followed by a series of private ministerial meetings in Geneva over the weekend and early next week and, subsequently, by a second informal meeting of the TNC on Tuesday. This will decide how to handle the crisis. Meanwhile, European trade and farm ministers are to meet again in Brussels next Monday in a further effort to break the deadlock.

Mr Crosbie said that substantial trade reforms were still possible in the Uruguay round, "but it's getting more and more remote".

The proposals being discussed by the EC for a 30 per cent cut in support to farmers were "neither sufficient nor even really serious", he said. But if the EC could agree to put them on the table there would at least be something to discuss.

Ministers from the Cairns Group of 13 farm-exporting nations had already scheduled a meeting in Geneva on Sunday. Ministers from 15 leading developing countries were due to meet on Tuesday and the expectation is that some will arrive early for discussions at the weekend and on Monday.

Mrs Carla Hills, US trade representative, Mr Frans Andriessen, EC trade commissioner, and Mr Renato Ruggiero, Italy's foreign trade minister, are expected to arrive for the weekend.

Senior officials are worried that with the farm talks in limbo and morale low, results will be difficult to achieve in other crucial areas where negotiations are also running behind schedule.

They hope that the ministers will remove major obstacles in talks on the $600bn-a-year world trade in services and on trade in textiles and clothing. Discussion on Gatt's anti-dumping code, a vital issue for Asian exporters, has been temporarily suspended.

● Nancy Dunne adds from Washington: The EC impasse over agriculture trade reform was greeted with gloom in the US. Mr Paul Drazik, assistant director for national affairs of the US Farm Bureau, said he saw "virtually no hope for the Gatt unless the rest of the world agrees to move forward without the EC".

EC deal on emissions, Page 18

Thatcher to defend opposition to Emu

By Philip Stephens, Political Editor, in London

MRS Margaret Thatcher, the British prime minister, will today defend vigorously her opposition to a single European currency despite fears that her isolation at the Rome summit has heightened the risk of a serious split within the ruling UK Conservative party.

As Mrs Thatcher prepared to deliver a statement to parliament underlining her opposition to the Delors blueprint for economic and monetary union, there were new signs of tension within her cabinet.

The dispute with Britain's European partners – which coincides with a more general slump in the government's fortunes – also revived Westminster gossip about a possible challenge to Mrs Thatcher's leadership.

Sir Geoffrey Howe, the deputy prime minister, distanced himself from Mrs Thatcher's

Continued on Page 18

Aftermath of the Rome summit, Page 8; Lex, Page 18

Fed eases policy with drop in key Funds rate to 7.75%

By Martin Dickson in New York

The US Federal Reserve yesterday initiated its long-awaited easing of monetary policy, signalling a quarter of a percentage point cut in the key Federal Funds rate, which dropped from 8 per cent to 7.75 per cent.

The move had been expected by the market since last week, when it became clear that the US Congress and the White House were approaching agreement on a budget deficit reduction package.

Mr Alan Greenspan, the Fed chairman, had repeatedly promised a cut in short-term interest rates provided the politicians reached accord on a budget deal which was "credible" to the financial markets. The way was cleared for Fed action when Congress passed a $492bn five-year deficit cutting programme at the weekend.

Fed funds – the rate at which banks lend money to each other overnight – is the interest rate controlled most directly by the Fed.

Yesterday's move was the first cut since mid-July, when it eased a quarter of a percentage point to accommodate what it said was unintentional tightening in the credit markets.

The Fed yesterday signalled its policy shift by executing $1bn of customer repurchase agreements with funds at 7.75 per cent, indicating that it was happy to see the rate drop to this level.

However, the action was so widely expected that it had a minimal effect elsewhere in the financial markets.

The dollar, which has weakened markedly in recent weeks, partly in anticipation of lower US interest rates, was trading in New York at lunchtime at around DM1.5240, up from DM1.5130 late on Friday, and at Y128.50, up from Y128.25, but this was due in large part to technical factors.

In the stock markets, shares lost early gains as crude oil prices rose and at 2pm the Dow Jones Industrial Average was down 8.42 at 2427.72.

In the bond markets, which are concerned about a flood of US Government paper this month, the benchmark 30-year Treasury issue stood at 99 $\frac{1}{32}$, some $\frac{1}{32}$ easier, to yield 8.784.

Analysts said the easing was not expected to lead to an early cut in the banks' prime lending rate.

Lex, Page 18; Wall Street, Back Page, Section 2

Iraqis 'considering deal to free all hostages'

By Lamis Andoni in Baghdad and Ian Davidson in Paris

IRAQ is considering the release of all foreign hostages provided the Soviet Union and France commit themselves publicly to resolving the Gulf crisis by peaceful means, according to Arab diplomats in Baghdad.

Iraqi officials told the Financial Times that Baghdad was encouraged by statements made yesterday by Soviet President Mikhail Gorbachev in Paris.

"Such a commitment would open the way for a peaceful solution," the Iraqi officials said.

Separately, senior officials have said Baghdad would consider the release of all western and foreign nationals in the light of such a Franco-Soviet commitment.

"The status of the western national here would definitely change," a senior Arab diplomat said yesterday after meeting a top Iraqi official.

The Iraqi officials' statements appear to underline Baghdad's determination to use the hostage issue to weaken the international alliance ranged against it.

Mr James Baker, US Secretary of State, warned Iraq yesterday that international patience over the occupation of Kuwait was limited and that the US would not rule out force to resolve the Gulf crisis.

In a tough speech in Los Angeles, Mr Baker also threatened President Saddam Hussein with "the most severe consequences" if the Iraqi president resorted to chemical or biological weapons.

President Bush, campaigning in California, stepped up the pressure by declaring that he would not hesitate to use force in the Gulf, if provoked. "History is replete with examples when the president had to take action" without consulting fully with Congress, he said.

Mr Bush and Mr Baker agreed last week that the US needed to stiffen resolve within the multinational alliance against Iraq after a period of drift. They were also worried that the credibility of the military option had begun to erode amid diplomatic activity to end the crisis.

Mr Gorbachev said in Paris yesterday that he had detected a hint of change in the attitude of Iraqi President Saddam Hussein. This followed weekend talks in Baghdad between Mr Yevgeny Primakov, the Soviet special envoy, and Mr Saddam.

Mr Primakov is understood to have told Mr Saddam at the weekend that if he was serious about withdrawal, a goodwill gesture must be forthcoming – such as the release of all western hostages. Mr Saddam, for his part, reportedly said that he would first require a statement from France and the Soviet Union committing themselves to a peaceful resolution of the conflict.

France and the Soviet Union are the two countries aligned against Iraq with whom Mr Saddam has shown a willingness to talk. Yesterday, the remaining 300 French hostages in Iraq and Kuwait were flown home as part of a goodwill gesture towards France. There are some 2,000 western hostages remaining in Iraq and Kuwait, mostly British and American.

Soviet diplomatic involvement in the Gulf crisis has raised concern in Washington that the broad-based alliance against Iraq could be undermined, reducing the acceptability of an eventual military option. Mr James Baker, US secretary of state, is due to

Continued on Page 18

UN invites claims, Page 18

Soviet and French presidents Mikhail Gorbachev (left) and François Mitterrand in Paris yesterday

National Gypsum files for protection under chapter 11

By Nikki Tait in New York and George Graham in Paris

NATIONAL GYPSUM, the Texas-based building materials group which is 50.1 per cent-owned by Lafarge Coppée, yesterday filed for protection from creditors under Chapter 11 of the US bankruptcy code.

The filing was made together with National Gypsum's privately-held parent company, Aancor Holdings.

National Gypsum was the subject of a $1.5bn buy-out by its management in summer 1986. The filing marks the failure of yet-another leveraged buy-out, and underlines the problems facing many US companies with high debt levels.

At the time, it was one of the largest LBOs to be completed, although in subsequent years the size of such transactions rose sharply.

The US company and yesterday the leading French cement and building materials group said it would make a provision of around FFr130m ($25.69m) in its second half accounts to cover the stake. Lafarge invested $33m in Aancor – the LBO vehicle – when the deal took place, and then injected a further $47.5m in 1988, to take its holding to 50.1 per cent.

These shares, however, are held by a US trustee to ensure that Lafarge's exposure is limited; it does not consolidate National Gypsum in its accounts or exert any management influence, although some senior executives have been detached to work with the US company.

National Gypsum also disclosed that in the third quarter of 1990 both revenues and operating profits fell to $326.2m and $2.5m respectively, while the loss after funding charges and tax rose to $22.7m.

This compared with a $2.46m deficit in the same period a year earlier. The nine month loss stands at $53.2m after tax.

It said it had reduced the face value of its debt from around $2bn at the time of the buy-out, to some $1bn at present, and, in fact, was ahead of schedule in this regard.

It indicated, however, that the Chapter 11 filing had been necessitated by deteriorating industry conditions, including lower housing starts and the decline in gypsum wall-board prices to the lowest level for a decade; lack of adequate new financing due to reduced credit availability; an increasingly difficult economic environment; and "a perception among some lending institutions as to the company's potential asbestos-related liability".

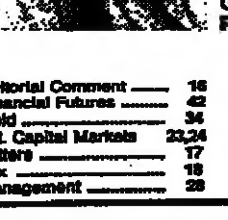
National Gypsum has been one of the US's biggest defendants of asbestos-related damage claims.

The decision to file under Chapter 11 was made only after it became apparent that no other recourse was available which would effectively preserve the company's assets and ensure its ongoing operation, said Mr Peter Browning, the company's new chief executive officer.

Mr Browning added that National Gypsum, Aancor and GE Capital, the financial subsidiary of General Electric, had approved a "debtor-in-possession" revolving credit arrangement which will provide National Gypsum with the necessary post-filing financing.

CONTENTS

Maxwell seeks to conquer Berlin by an intriguing eastern route



Robert Maxwell's 50-50 joint venture with Grunner & Jahr, publisher of Stern magazine, in taking over former Communist Party-owned publisher Berliner Verlag, will face massive west German competition

Page 2

MARKETS

STERLING
New York lunchtime:
$1.9495
London:
$1.9535 (1.958)
DM2.9625 (2.965)
FFr9.9175 (9.9225)
SFr2.5125 (2.505)
Y250.75 (250.25)
£ index 94.7 (94.8)

GOLD
New York: Comex Dec
$375.8
London:
$372.75 (373.0)

N SEA OIL (Argus)
Brent 15-day Dec
$33.65 (+0.7)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.5201
FFr5.0875
SFr1.2920
Y128.60
London:
DM1.5165 (1.516)
FFr5.0775 (5.0725)
SFr1.2865 (1.2805)
Y128.40 (128.0)
$ index 60.8 (same)
Tokyo close: Y127.35

US lunchtime rates
Fed Funds $7\frac{11}{16}$%
3-mo Treasury Bills:
yield: 7.36%
Long Bond:
$99\frac{17}{32}$
yield: 8.79%

STOCK INDICES
FT-SE 100:
2,062.1 (−1.0)
FT Ordinary:
1,600.0 (+1.6)
FT-A All-Share:
997.43 (−0.0%)
New York lunchtime:
DJ Ind. Av.
2,430.45 (−5.69)
S&P Comp
303.09 (−1.62)
Tokyo: Nikkei
25,329.31 (+323.67)

LONDON MONEY
3-month interbank:
closing $13\frac{27}{32}$ ($13\frac{25}{32}$)
Liffe long gilt future:
Dec $84\frac{1}{16}$ ($84\frac{3}{16}$)

EUROPEAN NEWS

Hard times ahead as world steel markets shrink

By Charles Leadbeater, Industrial Editor

GROWTH in world steel markets is slowing, putting producers under increasing financial pressure. Figures from the Organisation of Economic Co-operation and Development and the International Iron and Steel Institute all confirm that the growth in steel production in recent years is ending.

The latest bulletin from the OECD steel committee warns: "The overall steel market in the OECD areas declined only slightly into the second half of 1990, but developing uncertainties are causing concern for the medium term outlook."

It says the conflict in the Gulf has further clouded an uncertain outlook for steel producers, caused by higher interest rates in some countries, softer prices and reduced profit levels.

According the the IISI, steel production in the 35 economies it covers, excluding eastern Europe, was 2.3 per cent down in the first nine months of the year at 355m tonnes.

In North America, US steel production in the third quarter was 22.5m tonnes, marginally up on 1989. However the OECD report warns that shipments to the motor industry are already 13.8 per cent down on last year. The main producers' profits have been substantially reduced because of soft prices and increased costs.

The IISI's figures show production in the US for the first nine months of the year at 67m tonnes – 1 per cent down on 1989.

Canadian production has been cut back even more sharply. The IISI says Canadian output in the first nine months of the year is 17 per cent down on 1989.

In Europe, EC steel production is expected to end the year 2.2 per cent down on 1989, according to the OECD. It says the industry has suffered from destocking by distributors and consumers. Prices of flat rolled products have fallen by between 10 per cent and 18 per cent this year.

The IISI estimates output in the first nine months is 3.1 per cent down on 1989 at 103m tonnes, with west German output down 7.3 per cent. Production is 6 per cent down in Luxembourg, 5 per cent lower in the Netherlands, 4.4 per cent down in the UK and 2.5 down in France.

Steel production in east Germany has fallen by 20 per cent in the first nine months and in Hungary and Poland by 11 per cent, according to the Institute.

In Japan, steel output in the first three quarters was 1.5 per cent up on 1989 at 81m tonnes, according to the IISI. The OECD expects Japanese steel markets to remain bouyant into next year.

Some of the sharpest falls in steel production in the first nine months have come in South America. Output in Brazil is 19 per cent down at 15m tonnes and in Argentina 13 per cent down at 2.5m tonnes.

Apart from Japan the most significant increases in production came in South Korea, where output rose 6 per cent to 17m tonnes and Turkey where it shot up by 23 per cent to almost 7m tonnes.

Hungarian leaders draw lesson from petrol price protest

By Nicholas Denton in Budapest

HUNGARY yesterday began to lay the foundations of a social partnership between government, unions and employers aimed at ending a crippling protest against higher petrol prices and designed to establish political institutions to pre-empt popular unrest in the future.

The protest by taxi and truck drivers which started last Friday and ended on Sunday morning, brought the country to a virtual standstill and to the brink of disorder.

The strike leaders called off the action after the government temporarily halved the 65 per cent petrol price increase which had sparked the protests.

Daily life returned to normal yesterday but the legacy of the crisis will be lasting. It has revealed a strong desire for a national consensus to deal with a grave economic situation as trade with Hungary's traditional east European partners collapses.

Moreover, the impotence of Hungary's institutions in the face of mass protest has given impetus to efforts to build a corporatist framework of bargaining between interest groups and the government.

The appeal of a social partnership is accentuated by the exposure of the fragility of state institutions.

The government, handicapped by the prime minister's confinement in hospital, was paralysed by the crisis for the first two days. Ministers' panic and insecurity led them to organise Balkan-style pro-government demonstrations.

Budapest's police chief threatened to resign if he was told to remove the drivers forcibly and the government itself was incapable of giving the order. "In Hungary, people think it is not democracy if the police go against demonstrators," Mr Jeszenszky explained yesterday. Mr Arpad Goncz, Hungary's president, ruled out the use of the army to restore order.

But the absence of effective trade unions was felt too. Dissatisfaction with declining living standards found no expression until last week and so when the protests came, they were explosive.

Moreover, trade unions found it difficult to deliver the acquiescence of the strikers. An agreement on Friday night fell by the wayside when drivers refused to heed their leaders' call to dismantle the barricades.

The crisis forced the myriad of squabbling trade unions and employers' organisations to sit down together with the government to find a compromise solution. "It has given us someone to talk to," said Mr Jozsef Antall, the prime minister.

Government ministers promised to consult more regularly with the interest co-ordination council under whose umbrella it negotiated with trade unions and employers. Mr Geza Jeszenszky, foreign minister, yesterday promised a "broadening of the field of consultation" which could extend to discussion of next year's crucial budget.

That carries a danger: that either the government will flinch in the face of the unpopular decisions it must make to stave off financial crisis; or the consensus will quickly break down.

Also the government's reluctance to punish the unlawful action of the protestors and its willingness to compromise could encourage similar action and threaten a winter of disruptive strikes.

Maxwell enters Berlin from the east

Leslie Colitt on a joint-venture purchase of the old party press

MR ROBERT MAXWELL, the publisher, is seeking to leave his imprint on the German newspaper world by way of an intriguing eastern route.

Mr Maxwell and Gruner & Jahr (G & J), publishers of Stern magazine, have, in a 50-50 partnership taken over Berliner Verlag, a publishing house owned by PDS, the successor to the Communist Party of East Germany.

Although Mr Maxwell has singlehandedly become a leading force in Hungarian newspapers, in the Berlin venture he and (G & J) face massive west German competition in what is expected to become the fastest-growing newspaper market in Germany.

West Berlin was long dominated by the conservative Bild, BZ and Berliner Morgenpost newspapers of the Axel Springer publishing empire, which aim to extend this dominance across the whole city.

Mr Rupert Murdoch, the international media magnate, has also signalled ambitions to enter the Berlin market. Burda, the Munich-based magazine publisher, said that a joint venture with Mr Murdoch called News Burda Drück was in the planning stage and that negotiations were underway to build a printing plant near Berlin for the production of a daily

Berliner Zeitung

tabloid.

Worries among journalists at Berliner Verlag over Mr Maxwell's future role centred on his contacts with the communist leadership there. Mr Maxwell's Pergamon Press published an autobiography of Mr Erich Honecker, the former East German leader, and Mr Maxwell met Mr Honecker not long before his removal. But the worries appear to have been assuaged by the division of labour between G & J and Mr Maxwell.

G & J is to appoint the managing director of Berliner Verlag while Mr Maxwell, as chairman of the supervisory board, will be more concerned with overall strategy.

Ms Christa Schaffmann, deputy editor of Berliner Zeitung, the flagship of Berliner Verlag, said Mr Maxwell had assured her he would not interfere editorially as long as the publications did well.

She said another point in the British publisher's favour was that he had no "prejudices" about employing former members of the Communist Party. In common with virtually all east German journalists, Ms Schaffmann was a former party member. "For years I was deeply convinced of what I thought the party stood for," she said.

Mr Maxwell and G & J are believed to have paid DM400m (£134.6m) for the publishing house and have also staked a claim for 55 per cent of the printing plant of Neues Deutschland, the former Communist Party newspaper. The remainder will be held by the PDS. The roles have been reversed here as Mr Maxwell is to take over management of the plant while G & J will appoint the head of the supervisory board.

Unlike many of the company's publications, prospectsare considered bright for Berliner Zeitung, the flagship of the publishing house with nearly 100 employees. While circulation has dipped to 330,000 from 450,000 at the end of last year, most readers remained loyal despite a price rise from 15 pfennigs to 50 pfennigs earlier this year. Berliner Zeitung, BZ am Abend, an evening paper, and Wochenpost, a cultural weekly, were the sole profit-makers in the Berliner Verlag stable.

Berliner Zeitung is expanding advertising and under its new owners plans to modernise antiquated hot-metal printing.

Ms Schaffmann said one Berlin newspaper should be able to become a newspaper for all of Germany. "Perhaps we can be it."

West Berlin's leading quality daily, the independent Der Tagesspiegel, long a plodding, provincial paper, has expanded coverage and has similar ambitions.

Centre parties gain in Basque regional vote

By Peter Bruce in Barcelona

CONSERVATIVE nationalists and centralist parties made important gains in Spain's strife-torn Basque country on Sunday in regional parliamentary elections.

The moderate Basque Nationalist Party (PNV) regained its traditional leadership of the troubled region taking five new seats, which give it 22 in the Basque parliament in Vitoria.

But easily the most impressive result was the four new seats – to give it six – won by the main national conservative opposition party, the Partido Popular (PP), whose Francoist roots have in the past been deeply resented by the Basques.

The surge in the conservative vote is a double-edged sword for the Spanish prime minister, Mr Felipe Gonzalez. His Socialist party, which has governed the Basque country as a junior coalition partner to the PNV since 1986, lost about 50,000 votes and three of its 19 seats.

But the vote was also a clear setback for Herri Batasuna, the radical separatist group that often speaks for the terrorist group, ETA. Herri Batasuna managed only to hold on to its 13 seats but, although it remains the biggest party in Guipuzcoa province, lost about 15,000 votes.

The big losers were former

Felipe Gonzalez

prime minister Adolfo Suarez's Centro Democratico y Social, which lost both its seats and Eusko Alkartasuna, founded by dissident PNV leaders five years ago, which lost four of its 13 seats.

The PNV and the socialists will probably try to reform a coalition government. But the rise of the PP raises the prospect that, sooner or later, Spain's conservative centralist and regionalist forces may find themselves in a position to share power in the country.

Analysts believe such regional and national alliances are probably the only hope the right has of removing Mr Gonzalez' party from power in Madrid.

Yugoslav government will push ahead with reforms

THE YUGOSLAV government will push ahead with its western-style economic reform programme and does not plan to devalue the national currency despite a new rise in prices, Mr Bozo Marendic, the development minister, said, Reuter reports from Belgrade.

Mr Marendic told Tanjug news agency in an interview published on Sunday night that political instability in Yugoslavia, a federation of six republics threatened by ethnic unrest, had slowed the flow of foreign aid, and inflation remained a threat.

But he said the government would not respond to calls to devalue the dinar, although prices have almost doubled this year and the trade deficit has widened.

Mr Marendic said there would be few radical successes in the economy in 1991 but the government would continue steps to privatise state-run firms, establish a market economy, strengthen the dinar and tackle inflation.

Mr Markovic launched an austerity programme in December 1989. He devalued the dinar, fixed the exchange rate at seven dinars to the D-mark and froze wages for six months.

Inflation fell in the first six months of 1990 but then rose again with month-on-month prices increasing 7 per cent in September.

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EUROPEAN NEWS

Patience pays for imperial bond holders

By George Graham in Paris

FRENCH small investors may at last be on the way to getting back some of the money their grandparents invested in the Imperial Russian railways, after the signature yesterday by President François Mitterrand and President Mikhail Gorbachev of a far-reaching Franco-Soviet treaty.

An estimated 1.6m French investors held the bonds before the Russian Revolution, and there are thought to be up to 500,000 holders today who still have their certificates.

Bonds such as the Black Sea 4½ per cent 1913, or the Moscow-Kiev-Voronege 4 per cent 1903, continue to trade sporadically on the Paris bourse, even though the certificates are worth rather more as collectors' items to be framed and hung in the loo than as tradable securities.

It is still far from clear how the Soviet Union proposes to reimburse the bonds, but yesterday's treaty stipulates that all arrears owed to France will be repaid. Mr Alexei Gloukhov, a member of the Soviet delegation, confirmed that this definitely included the pre-1917 bonds.

Mr Gorbachev is probably in greater need of the money than most of the bond holders; on Sunday evening, France agreed to provide FFr5bn of new loans and export credits to the Soviet Union.

French attic rummagers began looking out for Russian bond certificates after the 1986 settlement between the Soviet Union and the UK, in which £45m frozen since the Revolution in an Imperial Russian account at Baring Brothers was used to repay around 10 per cent of the face value of bonds held in the UK.

IN THE WINGS: foreign ministers Roland Dumas (left) and Eduard Shevardnadze at yesterday's Franco-Soviet talks

Franco-Soviet pact more style than substance

By Ian Davidson in Paris

PRESIDENT François Mitterrand gave a good public relations send-off to the new Franco-Soviet treaty of friendship and co-operation, which he and President Mikhail Gorbachev signed yesterday in the appropriately splendid setting of the Chateau de Rambouillet south-west of Paris.

But the treaty is more significant as an act of political symbolism than for its likely practical consequences, and the political symbolism is more important to the Soviet Union than to France.

President Gorbachev has been pressing for bilateral treaties with most of the larger countries in western Europe, as a symbolic confirmation of the Soviet Union's rapprochement with the west and especially with west European nations.

The Franco-Soviet treaty follows a German-Soviet one which has been initialled and will shortly be signed, and a joint Spanish-Soviet declaration which was signed during the Soviet leader's visit to Madrid over the weekend.

The French government, too, is anxious to cement the new era of east-west friendship, but it is reluctant to see the future political architecture of Europe being pre-empted by a series of bilateral agreements with the Soviet Union.

In particular, France is keen that there should be a global agreement between the European Community and the Soviet Union, to crown any bilateral accords.

This idea is incorporated in the new treaty, in which France undertakes to promote the development of closer links between the Soviet Union and the European Community, and says that new bilateral commitments will respect the competences of the community.

The treaty also undertakes to promote both the Gorbachev ideal of a common European home and the Mitterrand ideal of a European confederation.

Unlike Germany, France declined to include a reciprocal non-aggression clause, on the grounds that this would be in conflict with the spirit of existing commitments to Nato and the Western European Union defence grouping.

The new treaty goes no further than to commit the two governments to consult, and if possible to harmonise their positions, in the event of a threat to peace.

The treaty has been accompanied by an exchange of letters and a number of protocols outlining several programmes of co-operation, including energy, transport, high definition television and telecommunications.

Foreign business puzzles over Soviet investment decree

By Quentin Peel in Moscow

CONFUSION and cautious optimism were the overwhelming emotions yesterday among foreign businessmen and bankers in the Soviet Union, as they sought to calculate the implications of President Mikhail Gorbachev's decrees on foreign investment and the rouble.

The principle of permitting 100 per cent foreign ownership of investments was welcomed with enthusiasm, but observers caution that the response will depend entirely on its implementation.

As for the effective two-thirds devaluation of the rouble (all commercial transactions will now be carried out through a new commercial rate), that was also welcomed as a belated recognition of the absurdly over-valued official exchange rate.

Yet the prospect of trying to operate through a maze of no less than four different exchange rates in the future – an official rate, a commercial rate, a tourist rate, and a "market" rate – has left many businessmen baffled.

The new commercial rate of Rbs1.8 to the dollar, compared with the present official rate of Rbs0.56, will be available not simply for Soviet enterprises, but also for foreign companies to value any future investments in the economy. That will be introduced from November 1.

The old official exchange rate will be maintained, but only for "statistical purposes" and for calculating debt payments by developing countries on rouble-denominated loans, according to Dr Dmitri Menshikov, chief economist of the international monetary and economic department at Gosbank, the state bank.

"The commercial rate will be used by enterprises and other economic bodies, Soviet enterprises, joint ventures and foreign enterprises, in the same way as today you can use the official rate of the rouble," he said.

The third exchange rate will be the tourist or personal exchange rate, for hard currency exchanged as cash in the bank. That will remain at 10 times the official exchange rate of the rouble, intended to undercut the rampant black market for dollars and other foreign currencies.

Finally, from January 1, there will be an auction of hard currency available for all economic entities, which will set what will be called a "market" rate of the rouble, likely to be Rbs20 or even Rbs30 to the dollar.

Although the new decrees state that foreign investors will be allowed to remit rouble profits abroad in hard currency, it seems certain that they will have to use the "market" rate to do so – a continuing disincentive to investment, although still a clear improvement on the present lack of any repatriation mechanism.

"It is a useful step in the right direction, but it is still only a first step," said Mr Roger Hart, head of the Moscow office of Britain's ICI. "It is all a question of how the decrees are going to be implemented. So far we have found that the law is one thing, but the implementation is usually more restrictive."

The commercial rate will actually replace a far more complex system of foreign currency "coefficients" for Soviet enterprises, of which there were about 2,000, with every different industry having a different effective exchange rate. The net effect, Soviet officials say, will be actually close to neutral.

What remains unclear is just where the dividing line will be drawn between the transactions allowed to use the new commercial exchange rate, and those compelled to use the new currency auctions.

Russian economic plan will be 'a mess'

By Leyla Boulton in Moscow

THE Russian government is incapable of conducting effective economic reform and is unlikely to last beyond next spring, according to a senior Russian official who is also a leading Soviet entrepreneur.

Mr Mikhail Bocharov, Russian President Boris Yeltsin's first choice for prime minister who is now responsible for evaluating Russian economic reforms, said the Soviet government's market legislation was equally removed from reality.

Mr Bocharov campaigned for the job of Russian prime minister with a radical 500-day programme for economic reform. But he was defeated in a parliamentary vote by Mr Ivan Silayev, a compromise candidate who has taken on board many of his ideas for a speedy transition to a market economy.

Despite the Soviet parliament's rejection of a similar 500-day programme and price rises which make much of it unworkable, Mr Silayev has suggested that the Russian government will go ahead and implement its own version.

"Silayev doesn't understand what he's talking about," said Mr Bocharov, who also heads Butec, a holding company which helps member firms operate independently from the state.

"There will be no 500-day programme whatsoever. There will be a mess, a worsening of the situation. There will be somersaults, but no decisions, until May. Then there will be a new executive because people will understand that something needs to be done, at the centre and locally."

The Russian parliament, which is generally seen as more radical than its Soviet counterpart, has already begun debating legislation allowing private land ownership. But Mr Bocharov said that was just one example of legislation which was too woolly to work.

"To resolve the question of land, one needs to work out a mechanism of land sales: how much to sell, at what price, and who is empowered to forbid land sales so that there is no talk of people not wanting to buy the land," said Mr Bocharov.

President Mikhail Gorbachev's own economic reform strategy, approved by the Soviet parliament this month, is even more vague on land reform. This is partly because, according to its authors, many peasants do not want to leave collective farms to own land.

"People close to Gorbachev are muddle-headed theoreticians who should come down to earth to see what's going on," said Mr Bocharov.

To argue his point, he referred back to the sweeping land reform pushed through at the beginning of the century by Russia's pre-revolutionary prime minister, Mr Peter Stolypin. Despite the brutal collectivisation of the 1930s, Mr Bocharov said he believed Russian peasants had not lost all their potential for rediscovering private property.

Another casualty of the uncertain balance of power between the Russian and Soviet governments were foreign and Soviet businessmen "who do not know what God to pray to, Russia or the Union". Until that becomes clearer, there were plenty of opportunities for western firms to deal directly with Soviet enterprises in the mean time.

EC moves closer to single gas market

By Lucy Kellaway in Luxembourg

THE European Community yesterday took its first step towards a single market in gas, by agreeing in principle to a directive that will make it easier for gas utilities in one country to transport their gas through pipelines in neighbouring member states.

The agreement marked a defeat for Germany and the Netherlands, which together exert considerable control over the European market. They argued that the directive was unnecessary because 20 per cent of gas consumed in Europe was already transported across frontiers.

They are also worried that it will replace their informal control over the market with a more bureaucratic control exercised by Brussels.

Mr Antonio Cardoso e Cunha, the EC energy commissioner, made clear that the directive did not commit Europe to a future system of "common carrier", a system which exists only in the UK, in which all comers have fair access to energy transportation networks. Such a radical opening of the market is deeply unpopular with most member states.

Ministers also agreed yesterday to repeal a directive dating from 1975, which attempts to limit the use of gas for generating electricity.

This directive was thought to be no longer applicable as had been agreed when gas was a scarce resource and when there was little awareness of its attractions as a clean fuel.

● An ambitious plans from the Commission that would give it important new powers to deal with the next energy crisis yesterday met a guarded response from energy ministers.

The UK in particular expressed concern about the proposed extension of powers, which it believes to be ill-timed and unneccesary. Other member states said that they would need to study the proposals in closer detail before reaching a conclusion.

Canadians desert leading parties

By Bernard Simon in Toronto

CANADIANS are deeply unhappy with the way their country is run and are deserting both major parties for regional or single-issue groups, according to a wide-ranging opinion poll published yesterday.

More than 75 per cent of respondents to the poll, commissioned by the Canadian Broadcasting Corp and the Globe & Mail newspaper, said they were disappointed in the performance of the Prime Minister, Mr Brian Mulroney.

Support for the ruling Progressive Conservative party is now at only 16 per cent of decided voters, down from just over 20 per cent last July.

The opposition Liberal party has also seen a substantial decline in popularity. Support has shifted to the left-leaning New Democratic party and two fledgling regional groups, the Reform Party of Canada – which favours a stronger voice for western Canada – and the Quebec nationalist group, the Bloc Quebecois.

The Reform Party now has the support of 24 per cent of voters in the three prairie provinces, almost double the backing for the Tories who have traditionally dominated this region.

Discontent has been fuelled by a sharp deterioration in economic conditions in recent months and by uncertainty over the country's political future following the collapse last June of the Meech Lake package of constitutional reforms.

The poll shows widespread unhappiness with the Mulroney government's economic policies, ranging from the value-added Goods and Services Tax due to come into force next January.

Last week it was announced that Canada had slipped into recession, with output falling for two successive quarters. Mr Michael Wilson, the finance minister, who for the past few months has avoided uttering what has become known as the "R" word, acknowledged to the House of Commons' finance committee that preliminary data showed a decline in output for the third quarter.

Regarding free trade talks with the US and Mexico, only 7 per cent of respondents said the free-trade pact with the US, which became effective into force last year, had helped the economy.

On the heels of last week's announcement that the government plans a sharp increase in immigrant quotas over the next five years, the poll shows that only 16 per cent of respondents favour more immigrants.

Bitter-sweet end to 101st Congress

By Peter Riddell, US Editor, in Washington

President George Bush on a visit to Honolulu, ahead of mid-term elections next week

THE 101st US Congress, which has at last adjourned, is likely to be remembered for a succession of scandals and the bitter budget wrangling rather than for its unexpectedly large legislative achievements.

The two-year term – which started with the defeat of Mr John Tower's nomination as defence secretary and the bitter financial controversy leading to the resignation of Mr Jim Wright as House speaker and Mr Tony Coelho as majority whip – was dominated by arguments over members' pay, ethical and sexual problems and the continuing row over legislators' involvement with the savings and loan crisis.

Yet Congress managed to approve a series of important measures. Because of the divided nature of the government, the Republican White House had to co-operate with the Democrat leadership of both houses.

When the executive and legislature disagreed there was a stalemate, as applied for so long over the budget and still applies over President George Bush's desire to cut capital gains tax.

Mr Bush vetoed 16 measures and none was overriden by the necessary two-thirds majority in both houses. The Senate never overrode although the House did three times. This compares with a similar success rate for presidents Kennedy and Johnson.

Apart from the deficit reduction package, the main achievements of the Congress were:

- Clean air. The first big revision for 13 years imposed tough controls on car, power plant and industrial emissions that create smog, acid rain and toxic hazards. Congress also increased shippers' liabilities for oil spills.
- Savings and loan rescue. Approved reorganisation and new controls, but at the last minute failed to approve additional funds as the initial \$50bn (£25.51bn) has almost gone.
- Immigration. The legal inflow will be increased by 40 per cent to 675,000 after 1995, with an emphasis on bringing in skilled workers and reuniting families. It favours European entrants and grants amnesty to 30,000 Irish living illegally in US.
- Minimum wage. Raised to \$3.80 an hour this year and \$4.25 an hour next year.
- Child care. Maximum tax credit for poor families nearly doubled to \$1,700 a year by 1994.
- Defence. Reduced 1991 spending to \$17bn less than last year and cut Stealth and Star Wars programmes.
- Farm. Passed a five-year programme to cut the amount of land eligible for subsidies, although it gives farmers more flexibility to develop profit-making crops. Safeguards for wetlands expanded.

But Congress failed to resolve differences over controls on contributions to campaigns from political action committees and on voluntary spending limits.

Proposals to reverse recent Supreme Court decisions, limiting the effect of federal laws against job discrimination, were passed by Congress but vetoed by the president.

Similarly, proposals to require businesses with 50 or more employees to grant workers up to three months of unpaid leave for birth/adoption of a child or when a family member became ill were vetoed.

Black candidate offers liberalism its greatest prize

Peter Riddell on Senate race to unseat arch-conservative Helms

IN 1963, Jesse Helms, a popular conservative broadcaster and critic of the civil rights movement, compared the forced and violent enrolment of James Meredith at the University of Mississippi with the quiet integration at Clemson University initiated by a young architecture student named Harvey Gantt.

Now Mr Meredith is the only black person in a senior position on the staff of Republican Senator Jesse Helms, while Mr Gantt is the latter's Democrat opponent in the Senate race in North Carolina.

Mr Gantt could make US political history in a week's time. If he wins – and he is currently the front-runner – not only will he defeat the arch-foe of liberals, but he will be the first black person elected to the US Senate from the south since the Civil War in the 1860s.

It is a great prize for Democrats, for liberals and, above all, for black people. So, on Saturday, there was special fervour when Mr Gantt appeared at the homecoming day parade of students and alumni at North Carolina A and T University in Greensboro.

One of the formative events of the civil rights movement occurred less than half a mile away. In February 1960 four A and T students from what was then called a Negro college started a sit-in at an all-white lunch counter at a nearby Woolworth's – an action which started a wave of protests throughout the segregated south. Now there is a commemorative plaque outside the Woolworth's branch.

As Mr Gantt sat on the back seat of a car waving at the cheering, entirely black, crowds, there was a shared sense of hope, and scepticism. His smile widened even more when someone in the crowd shouted out: "Hi, Mr Senator."

Yet while Mr Gantt may be ahead in the polls – by 49 to 41 per cent on one recent count – the lingering question in every conversation is whether the 80 per cent white state is prepared yet to elect a black candidate.

Mr Helms, the 69-year-old three-term veteran, is a formidable incumbent, even though he has never won by a large margin.

He arouses strong feelings. To his enemies he is the voice of bigoted, nationalist, anti-big-government populism. He is a critic of anything that smacks of communism and has been associated with some unsavoury Third World dictators.

Critics also see him as the voice of the past in a state which combines the high-tech affluence of the Research Triangle around Raleigh and Durham with the worst infant mortality rate in the US and above-average poverty.

To his supporters, Mr Helms is the standard bearer of true conservatism. He is the voice of traditional family values against sexual perversion and pornography, a super-patriot and defender of US interests against international entanglements. He is also the spokesman for the ordinary American against Washington sophisticates.

In practice, Mr Helms has always been more of a high-profile nuisance than an influential senior senator – except when he is defending North Carolina's tobacco and textile interests.

But he has created a strong core of support, both among white people in the state – by his appeal to "North Carolina values" – and nationwide via a direct-mail operation. This sends repeated letters to small-scale donors, "the little old lady market", warning of the dire consequences if the senator is not backed.

In 1984 he raised a record \$17m to win by a 52 to 48 per cent margin.

This year's battle is Mr Helms's toughest. Some of his tunes sound dated; it is much harder now for the senator to wave the anti-communist banner. So he has turned to his crusade against pornography, in particular an exhibition of homoerotic art which received funding from the National Endowment for the Arts.

To combat the senator's call to restrict such federal money, many American artists have rallied behind Mr Gantt; recent financial contributors have included actors Woody Allen and Paul Newman, and even Playboy chief executive Christie Hefner.

In the first 2½ weeks of October Mr Gantt raised \$1.7m, and has \$1.1m in the bank for final advertising. This compares with \$1.2m raised and \$135,000 in the bank for Mr Helms. However, while the Democrat has secured \$5.7m in contributions over the whole campaign, the Republican has raised \$12.4m and is actively fund-raising now.

US MID-TERM ELECTIONS

Mr Helms has personally fought a distant campaign and his main focus has been on aggressive television advertisements – arguing that Mr Gantt has raised money in gay and lesbian bars and supports "mandatory" gay rights. The Democrat is portrayed as "dangerously liberal" and "too liberal for North Carolina".

The Democrat has tried to shrug off such attacks, and avoided being forced into a defensive position as his unsuccessful predecessor was in 1984. He has sought to portray himself as the voice of the modernising, new south.

A former mayor of Charlotte, Mr Gantt contrasts his support for the Clean Air Act, better child care, improved education and choice for women in abortion to the senator's opposition to recent measures.

Mr Gantt is smooth and persuasive, yet inexperienced. When asked about the budget on the day of the Senate vote he waffled. The budget fiasco has hardly been mentioned by either candidate.

As so often in the south, it comes back to a question of race. Are voters telling the truth to pollsters, or do they lie about their willingness to vote for a black candidate?

Mr Doug Wilder, the grandson of a slave, was narrowly elected last year in Virginia as the first black governor. But his final result was several points below that suggested by polls.

To win Mr Gantt not only needs a heavy turnout among the nearly 20 per cent of voters who are black, virtually all of whom will support him, but also about 40 per cent of white votes.

The North Carolina election is both a referendum on Mr Helms and a test of how far racial prejudices linger. A white Democrat challenger would by now have been the clear favourite; with the black Mr Gantt it will be a cliffhanger.

Fujimori presents coca farmers with 'options'

By Sally Bowen in Lima

PRESIDENT Alberto Fujimori of Peru has offered legality to coca-growing peasants through land titling, investment and crop substitution programmes. Coca leaf provides the base for the cocaine drug.

The message, delivered in Mr Fujimori's first big address on the subject of drug trafficking since assuming the presidency in July, was addressed primarily to the US.

It follows Peru's rejection late last month of a \$35.9m (£18.2m) US military aid package to equip six Peruvian army and marine battalions to support anti-drugs operations in the upper Huallaga valley.

While firmly committing Peru to stronger efforts to curb drug trafficking, Mr Fujimori devoted most of his speech to analysis of the "global context".

Controls could only be effective, he said, "if alternative economic strategies and a political system permitting peasant participation" were established.

A programme for wide-scale coca crop substitution is already under way, Mr Fujimori said.

This was based on issuing legal land titles quickly and easily to coca farmers. They would then be able to raise agricultural loans and credit against their land.

The policy will require substantial foreign financing. It may be difficult for the US to accept that coca growing should be treated, even temporarily, as a legal activity.

Improved transport infrastructure, reform of internal marketing systems, assured buyers and preferential tariffs for alternative crops are all part of the Fujimori plan for Peru's coca regions, which produce more than 60 per cent of the world's supply of raw leaf.

●MIDDLE EAST

Gulf crisis pushes up air fares for second time

By Paul Betts, Aerospace Correspondent, in Geneva

INTERNATIONAL air fares are set to rise again steeply both as a result of the Gulf crisis and other severe impositions on the airline industry.

These include inflationary pressures in many countries; the airlines' increasing share of the costs to build new airport terminal facilities; higher air traffic control charges; and the abolition of duty-free shopping, coupled with the application of value added tax to air transport in Europe.

But the immediate pressure is coming from volatile fuel prices, which are forcing the 200-member airlines of the International Air Transport Association (Iata) to seek further substantial domestic and international fare increases.

Mr Gunter Eser, the Iata director general, confirmed yesterday that the organisation's tariff conference would be meeting later this week to approve a new round of fare increases.

These are likely to involve an average increase of around 10 per cent following the 5 to 7 per cent increase agreed in September to cover the cost of rising fuel prices caused by the Gulf crisis.

Mr Eser said Iata now estimated that the airline industry would report a net cumulative loss of more than $2bn (£1bn) this year after profits of $300m last year and profits of $1.2bn the year before.

Iata also calculated that a 1 per cent rise in the average industry fuel costs translated into an increase of about $100m in total airline operating costs.

It warned that the full economic effects of the Gulf crisis and especially its impact on aviation fuel costs would not be felt until 1991.

Industry representatives are, meanwhile, working on detailed contingency plans for the restructuring of air routes over the Middle East in the event of war.

The primary objective appears at this stage to be creation of a "war exclusion zone" banning all civil flying over a vast territory covering the Middle East and possibly extending to the east Mediterranean and Pakistan.

The repercussions on international air transport would be vast, airline officials warned in private conversations during the Iata meeting.

It would lead to an immediate re-organisation of the busy air routes between west Europe, South-East Asia and the Far East which are a significant source of revenues and profits for western airlines.

The International Civil Aviation Conference (ICAO), the aviation technical agency of the United Nations, has set up a task force to monitor the situation in the Gulf and draw up contingency plans against war in the Middle East.

The plans are understood to envisage air strikes not only in the immediate region of the conflict but also over Israel and Arab League states which have aligned themselves with UN sanctions against Iraq could thus be seen as at risk from an Iraqi attack.

Some carriers are contemplating diverting some of their Far Eastern and Australasian traffic to Europe via the Pacific and North America instead of the Middle East.

Saddam faces petrol dilemma

By Robert Graham

A PUBLIC outcry over petrol rationing in Iraq forced President Saddam Hussein to revoke the measures on Sunday and sack Mr Isam al-Chalabi, his long-serving oil minister, whose departure brought open satisfaction yesterday in Baghdad.

But the Iraqi government now faces the problem of how to cut petrol and diesel consumption given the shortage of additives needed to produce these fuels.

Observers yesterday were unanimous that Mr al-Chalabi had been made a scapegoat for an unpopular policy.

It was the first time ordinary Iraqis felt directly inconvenienced by the United Nations trade embargo. Travel was restricted and the effect of fuel rationing rapidly extended to agriculture.

Mr al-Chalabi, oil minister since 1987, was a respected and internationally known oil technocrat. His job has been taken by Brigadier General Hussain Kamel, minister of industry and military production. He is the president's son-in-law and comes from the presidential stronghold of Takrit north of Baghdad. Mr Saddam has thus used the occasion to add further cohesion to the Iraqi leadership.

Oil experts said yesterday that Iraq had approximately three months' stocks of motor fuel additives. Iraq's three refineries can process 300,000 barrels a day (b/d) of crude oil. Oil production is currently running at just over 350,000 b/d.

Iraq has also begun to take some 5,000 b/d from stocks of finished oil products and components from Kuwait's Mina al-Ahmadi refinery. But there are neither maintenance staff nor sufficient operators to sustain a 24-hour shift to make use of Kuwaiti refineries.

Iraq is now likely to raise petrol prices or limit motorists to one tank of fuel a week.

Aid windfall for Egypt

By Max Rodenbeck in Cairo

EGYPT's economy, at first badly buffeted by the Gulf crisis, appears set to reap a windfall in foreign aid.

In the past week creditors grateful for military and diplomatic support in confronting Iraq have written off nearly $14bn (£7.1bn) in debts, equal to a third of Egypt's $50bn foreign debt burden.

Added to an influx of fresh funding, the debt relief will ease a $4.5bn drop in foreign exchange earnings caused by a dramatic fall in tourism, worker remittances and Suez tolls.

Egypt's rewards from the Gulf crisis include:

- A write-off of $6.7bn in debts to the US for arms purchases which will save $1bn a year in servicing. Congress has sent a bill finalising the move for President Bush's approval;
- Cancellation of debts worth $6.6bn to Arab Gulf states;
- Loans and grants worth $1.5bn from Saudi Arabia, $600m from the UAE and a promised $500m from Kuwait;
- $400m in concessionary loans from Japan;
- Aid and debt relief from EC countries estimated so far at $1.5bn, with more to come

Israeli report stirs fresh acrimony over shootings

By Hugh Carnegy in Jerusalem

FAR from stilling the controversy over the shooting dead of 20 Palestinians by Israeli police in Jerusalem's Old City three weeks ago, the official Israeli report on the event has only stirred more angry debate over what happened.

The three-man commission, headed by Mr Zvi Zamir, a former head of the Mossad secret service, did criticise senior police for not averting what it said was a preventable incident. But the report released last Friday differed sharply from other accounts in two key respects and has thus been dismissed as a whitewash by Palestinians and, if anything, increased calls for a UN investigation rejected by Israel.

● What started the violence? The Zamir report pins the blame squarely on Palestinians. It says a huge mob incited by calls over mosque loudspeakers, including shouts of "Slaughter the Jews", attacked a small police contingent stationed on the Temple Mount, or Haram al-Sharif. It calls this a "serious criminal offence".

Palestinian accounts say the trouble was sparked by rumours that an extremist Jewish group, the Temple Mount Faithful, was about to enter the Haram (it had been barred from doing so well beforehand). Some Palestinian accounts also speak of tear gas being fired unprovoked into a group of women.

● The use of live ammunition. The Zamir report says live fire was justified "under the prevailing conditions". It says some of this was unsupervised but accepts it happened where police lives were in danger.

Palestinians and the Israeli human rights group B'tselem vigorously dispute this. A B'tselem report doubts there was any such danger when live fire was used. It says "shooting took place in bursts of automatic fire from the hip, spraying a large area". Victims included people fleeing and medical teams.

The core of the criticism of the inquiry is by not having full judicial powers it was not properly independent and did not gather sufficient evidence to reach a credible conclusion.

In all the debate, however, one aspect that has received little attention is the issue of how Israeli forces confront violence. The Zamir report called for riot control weapons more efficient than tear gas and rubber bullets, but less lethal than live ammunition.

It made no comment on training and protective equipment. Throughout the Palestinian uprising, Israeli forces have been criticised for using excessive force, killing many more people, for example, than police in South Korea or Northern Ireland. Ironically, the paramilitary border police deployed on October 8 is reckoned to be the best trained and most skilled Israeli riot control force.

However, as B'tselem pointed out, the police on the Temple Mount were not even equipped with fibreglass shields, standard riot force kit elsewhere.

Indian security forces deployed near the disputed Ayodhya site

Tension rises in row over Indian temple

By David Housego in Lucknow and K.K. Sharma in New Delhi

TENSION mounted in the north Indian state of Uttar Pradesh yesterday after at least four people were killed in Hindu-Moslem clashes in various towns on the eve of the attempt by Hindu militants to start building a temple at Ayodhya at a point where a Moslem mosque is located.

Officials in the state capital, Lucknow, which is under curfew, were clearly taken aback by the determination of Hindu zealots, thousands of whom have attempted to break a security ring around Ayodhya.

More than 100,000 Hindu militants have been arrested in the last five days. Officials are finding it difficult to find places for them in jails and have started filling schools and colleges with the arrested militants, who include MPs.

In Lucknow, the militants' plans have shattered the traditional amity that has existed there between Hindus and Moslems.

The issue recently led the the Hindu fundamentalist Bharatiya Janata Party (BJP) withdrawing its support from the minority National Front government of the prime minister, Mr V.P. Singh. The government will test its majority in parliament on November 7 when it is expected to fall as a result of the defection.

Leaders of the militants claimed in New Delhi that as many as 10,000 volunteers have penetrated the security ring, although this is probably an exaggeration.

In the desert state of Rajasthan, troops were moved to main towns to prevent a fresh outbreak of rioting which killed 50 people last week.

Indian Airlines, the government-owned domestic carrier, has resumed limited commercial operation of its Airbus A-320 fleet of 18 aircraft, grounded after one of the aircraft crashed at Bangalore, K.K. Sharma writes. An inquiry into the February crash has been completed but the commission's report has still to be published.

Landslide for Ivory Coast president

By Julian Ozanne in Abidjan

PRESIDENT Felix Houphouet-Boigny, veteran leader of Ivory Coast, was yesterday heading for a landslide victory in the country's first contested presidential election amid opposition claims of fraud and warnings of civil strife.

Mr Laurent Gbagbo, leader of the Ivorian Popular Front (FPI), spoke of "massive and primitive cheating" and said he could not guarantee that FPI supporters would remain calm and not take to the streets.

However, there were no immediate reports of serious violence, although several shops and markets in Abidjan closed early in anticipation of trouble.

Early returns from Sunday's poll showed support for Mr Houphouet-Boigny at between 85 and 90 per cent for his seventh five-year term in office. Voting turnout was low.

There were some huge variations in the votes the two candidates received. In one subprefecture in the Yamoussokro region the president received 15,135 votes to 10 for Mr Gbagbo, a 45-year-old history professor. Results for Abidjan, the largest city, a stronghold of the FPI and scene of widespread electoral malpractice, have yet to be declared. They were expected to show better results for Mr Gbagbo, raising his official overall support to between 15 and 25 per cent.

Mr Gbagbo has alleged that there was a "gigantic fraud" in parts of Abidjan, especially in the areas where the FPI was strongest. In one such suburb, Yapougon, voting had to be suspended in 100 out of 317 polling stations as angry opposition supporters threatened electoral officers after alleging the government had stuffed ballot boxes.

Results telephoned in to FPI headquarters from their electoral observers yesterday put Mr Gbagbo narrowly in the lead in Abidjan.

The government has accused the opposition of trying to spoil the poll and of inciting civil war.

Mr Gbagbo has accepted that in many parts of the country where he was heavily defeated, the polls were free and fair. He has pledged to continue the struggle for democracy at the legislative elections due on November 25 where the ruling PDCI party and not the president personally will be on trial.

Jim Bolger and wife Joan after the National Party's victory: stand by for "commonsense" policies

Bolger moves to make the best of short honeymoon

Kevin Brown on New Zealand's government-elect

NATIONAL Party leaders gathered in Wellington yesterday to plan their transition to government after the biggest general election landslide ever in New Zealand.

Mr Jim Bolger, the prime minister-elect, called in his frontbench team for a planning session, aware that the party's honeymoon with the voters is likely to be short if the economy continues to deteriorate.

The conservative National Party won 68 seats in the election on Saturday, giving it an overall majority of 39 and reducing the outgoing Labour Party to a rump of 28 seats – its smallest parliamentary caucus since the 1920s.

Labour lost because the party appeared directionless after three changes of prime minister in 18 months, and because six years of rapid free market reform failed to deliver sustained economic growth.

Paradoxically, Labour is likely to swing back towards its socialist roots, while the National Party is committed to maintaining and extending the liberalisation of the economy.

The National Party inherits an economy which has been in or near recession since 1987 and is forecast to grow by just 0.4 per cent in the current year. Unemployment is at 7.5 per cent and rising, the current account deficit is likely to reach NZ$5bn this year – equal to 7 per cent of gross domestic product – and the budget deficit is likely to reach NZ$3bn.

The framework of economic decision-making has changed dramatically since National was last in government in 1984, when New Zealand was one of the most tightly-regulated economies in the Organisation for Economic Co-operation and Development (OECD).

In six traumatic years Labour:

- Cut protective tariffs from an average of 28 per cent to 20 per cent, abolished import quotas and agricultural subsidies, and halved export subsidies to industry.
- Restructured state-owned enterprises as free-standing commercial businesses, and privatised assets worth NZ$9.7bn, including Air New Zealand, NZ Telecom, the State Insurance Office and the Post Office bank.
- Halved the top rate of marginal tax on personal income to 33 per cent, cut the corporate rate from 45 per cent to 33 per cent, and widened the tax base by introducing value added tax.
- Abolished foreign exchange and interest rate controls, liberalised the banking system and floated the NZ dollar.
- Established the independence of the Reserve Bank, and legislated to require it to direct monetary policy towards achieving price stability, defined as 0-2 per cent inflation.

The reform programme transformed New Zealand, but the strain of implementing it tore Labour apart, especially after the last election in 1987, when the party's vote dropped substantially.

The crunch came in January 1988, when Mr David Lange, then prime minister, unilaterally cancelled a further tax reform package announced by Mr Roger Douglas, the finance minister and architect of reform.

Six years of rapid free market reform under Labour failed to deliver sustained economic growth

Mr Lange said he wanted a pause in the reform programme to give the electorate time to catch up with the party. But his action plunged the government into a leadership crisis which eventually led to the resignation of both.

Labour's greatest short-term achievement was to reduce inflation from a peak of more than 18 per cent to an underlying rate of 5.4 per cent, excluding the effects of changes in the rate of value added tax.

But the success was achieved at the cost of high interest rates which have strangled growth and obscured the long-term benefits of a more competitive economy which the Reserve Bank says is now capable of "strong, sustained growth performance comparable with the best" in the OECD.

In the short term, however, New Zealand will face constraints on growth caused by higher oil prices and a decline in prices for its predominantly agricultural exports.

Mr Bolger has set a target of 3 per cent annual growth, and says he intends to pursue "commonsense" policies rather than economic theory. But his room for manoeuvre is limited by the party's undertaking not to reverse Labour's liberalisation of the economy.

He is likely to put back the Reserve Bank's target date for achieving stable prices to 1993, and will put pressure on the governor to keep interest rates as low as possible. There will also be some employment creation measures.

In the longer term, National wants to continue the Labour revolution by extending deregulation into the labour market by abolishing compulsory trade union membership and replacing centralised bargaining with workplace negotiations *based on productivity* agreements.

Mr Bolger has accepted the argument put forward by Mrs Ruth Richardson, his tough right-wing finance spokesperson, that Labour failed because business lost confidence in the government's determination to push ahead with deregulation.

However, the election has brought a number of more pragmatic, non-ideological MPs into parliament who will support Mr Winston Peters, the chief National critic of deregulation. Mr Peters is more popular with the voters than Mr Bolger, and his group has the potential to split the party if growth fails to pick up quickly.

Labour will conduct a detailed post-mortem on the election defeat at its annual conference next month, but is unlikely to dump Mr Mike Moore, who took over as prime minister 54 days before the election, but failed to live up to his campaign promise to "make a difference".

Mr Moore turned the party towards its roots during the campaign by offering a bigger role in policy-making to the trade union movement and starting a review of a much-criticised and unpopular NZ$1bn plan to buy two frigates from Australia.

Many of the strongest cabinet supporters of deregulation were defeated in the election, leaving the left stronger in the remaining caucus. But given the size of the National majority, few in the Labour Party expect to be back in office before 1996 at the earliest.

Sri Lankan economy resilient despite civil war

By Mervyn de Silva in Colombo

THE SRI LANKAN economy has shown "remarkable resilience" despite political unrest, says a World Bank report which foresees sustained growth of 4-5 per cent if the separatist Tamil revolt in the north and east does not worsen and the Gulf crisis is not prolonged.

Sri Lanka, with a growth rate of about 8 per cent after the conservative UNP took office in 1977, ran into trouble with ethnic violence and terrorism. From 1986 to 1989, growth was under 3 per cent.

The World Bank-sponsored aid group last week pledged $1bn (£500m) for 1991, $130m more than requested, which, a central bank official official said, made provision for Gulf crisis "shocks". Suffering from higher oil prices, Sri Lanka has lost remittances from migrant workers and revenues from tea sales to Iraq. Of the $1bn pledged by the aid group in Paris, $200m is an outright grant, with the balance on concessionary terms. Much of it carries 2 per cent interest, repayable in 40 years.

OBITUARY

Japanese media magnate

MR Nobutaka Shikanai, former chairman of Fujisankei, one of Japan's leading media conglomerates, has died in Tokyo of liver failure. He was 78.

Mr Shikanai was an executive in the Nikkeiren, an industrialists' association, in the 1950s, when it was suggested he enter the radio business. He became president of Nippon Broadcasting System – embryo of the Fujisankei group – in 1961, president of Fuji Television in 1964, and president of the Sankei national newspaper in 1969. Under Mr Shikanai, Fujisankei became famous for its exhibitions and promotions. In 1969, it built a huge outdoor museum, filling it with Henry Moore sculptures and old masters.

Its invitation to former US president Ronald Reagan to spend two weeks in Japan last autumn, in return for a $2m (£1m) gift to the Reagan library, aroused resentment in the US where lavish Japanese lobbying is under scrutiny. Mr Shikanai stepped down as chairman in 1985, handing over to his eldest son. But after the son died in 1988, he took over again, before giving way to his son-in-law.

Ian Rodger

Faction battles feared after 16 die in Soweto

By Patti Waldmeir in Johannesburg

SIXTEEN blacks have been killed and more than 30 wounded in a series of gun attacks in Soweto, raising fears of a resumption of faction fighting which has killed nearly 800 South African blacks since mid-August.

Fighting between Zulu supporters of the Inkatha Freedom Party and blacks allied to the African National Congress (ANC) had subsided prior to the weekend attack.

But on Saturday, both groups held separate shows of strength in the Johannesburg area, with some 6,000 Inkatha supporters, many carrying spears, clubs and shields, parading through the city centre. The ANC also held a large rally to mark the relaunch of the ANC youth league, following Pretoria's decision to legalise the ANC last February.

A police spokesman said the 16 victims were killed at random in at least three incidents on Sunday night, apparently to avenge the death on Saturday of a Zulu migrant worker heading for the Inkatha rally.

Police have arrested a man in connection with the death of the Zulu, who was hacked and stabbed to death near a worker's hostel in Soweto.

In one of the worst of Sunday's revenge attacks, six men were mown down in a hail of bullets as they walked through Soweto's Naledi district. The police spokesman said it was believed the attacks may herald a new phase of factional warfare between Inkatha and the ANC, breaking an uneasy truce between the two sides which had held for the past several weeks.

Last month, the government imposed a dusk-to-dawn curfew in Soweto and other townships near Johannesburg in an operation code-named Iron Fist. Security force action appeared to have curbed the violence.

In an attempt to find a permanent solution to the fighting, which has also left nearly 4,000 people dead in Natal province over the past four years, Mr Nelson Mandela, deputy president of the ANC, and Chief Mangosuthu Buthelezi, president of Inkatha, have agreed to meet. No date has yet been set for these talks.

In another incident which further highlights the danger of resurgent violence, nine blacks were killed at the weekend at Rand Mines' Harmony gold mine in the Orange Free State, in fighting between Xhosa and Sotho workers.

● Nine ANC members were charged yesterday with terrorism and the illegal possession of weapons, AP reports from Durban. They include Mr Mac Maharaj, who is on the ANC's national executive committee.

Debt warning by Pakistan

PAKISTAN may stop repaying loans if US economic and military aid is not re-started, Mr Zahid Sarfraz, interior minister, said yesterday, AP reports from Islamabad. "We have two choices: either to make our people starve or stop repayment of loans if the US does not resume aid," he declared. Pakistan, with $14bn (£7bn) foreign debts, is the biggest recipient of US aid after Egypt and Israel.

The US suspended a $573m aid package after President Bush withheld annual certification that Pakistan does not possess a nuclear device. Before aid can be resumed, Mr Bush must certify Pakistan's nuclear intentions are honourable and last week's elections were fair. Pakistan denies it is trying to make nuclear weapons, but western intelligence agencies contend it is.

Corruption charge

SIR JOH Bjelke-Petersen, former premier of Queensland for 20 years, was charged yesterday with corruption and perjury, AP reports from Brisbane.

The charges come two years after he testified at a state inquiry into crime and corruption. Court officials said Sir Joh had been charged with one count of corruption and two counts of perjury. He will appear in court on Friday.

AFTERMATH OF THE ROME SUMMIT

Farm impasse is blow to hopes for Uruguay Round

Developing countries will have no incentive to make concessions in other areas, writes Peter Montagnon

WORLD leaders may yet discover a magic formula for averting a total collapse of the Uruguay Round, but there is no doubt that the four-year effort to reform the world trading system is in deep trouble after the Rome summit.

The failure by European Community heads of state to agree on cuts in farm support has called into question the prospect of serious negotiation continuing on the other 14 items on the Uruguay Round agenda. With the end of the Round just five weeks away, it is increasingly unlikely that many of the most ambitious reforms ever contemplated by the General Agreement on Tariffs and Trade (Gatt) will see the light of day.

Yesterday an atmosphere of numb dismay prevailed among the dedicated army of international trade diplomats who have spent the last four years poring over the technicalities of the Round, from trade in services to textiles and intellectual property. Many felt that the outcome had passed out of their hands.

Some farm exporting countries, such as Argentina, have already threatened to walk away from the talks if the big industrial countries fail to concede cuts in subsidies. The 13 countries of the Cairns group of agricultural exporting countries, to which Argentina belongs, are to hold a ministerial meeting in Geneva next week. But, despite the firm stand taken by Buenos Aires, they are far from united about using the occasion to withdraw from the Round.

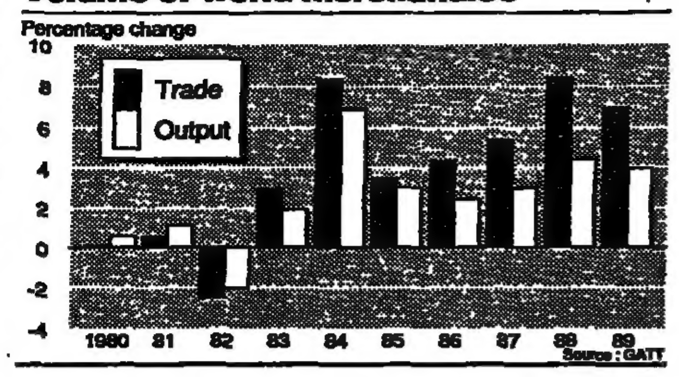
"I personally don't favour that," said Mr John Crosbie, Canada's Trade Minister, yesterday. "The subject under discussion is too important."

The risk is that, if the Cairns countries do walk out, they will be blamed for the ensuing failure of the Round. They may forfeit even any modest cuts in subsidies to which the EC might eventually agree. Yet, even if they stay, most will now have little appetite for making concessions in areas other than farming.

The Rome summit has shown that the EC still cannot agree internally on a package of farm cuts in any case deemed insufficient by the US and by the Cairns group. Even if EC leaders eventually change their mind, their farm officials will have little negotiating leeway in the Uruguay Round.

Consequently developing countries will have almost no incentive to make the concessions required of them in other areas such as services and intellectual property.

Volume of world merchandise



With deep difficulties persisting in these areas as well as in textile trade liberalisation and rules on anti-dumping, the spectrum of possible outcomes has shifted. The risk of total failure is larger than before, while "success" would mean simply a modest package of reforms which would almost certainly be insufficient to stem the tide of protectionism and halt the fragmentation of the trading system into regional blocs.

One way out might be to postpone the final showdown at what was supposed to be a glittering meeting of 100 trade ministers in Brussels this December. This would allow more time for the impasse over agriculture to be overcome. Technical preparations are also now so far behind schedule that some residual negotiations on the detail of the reforms are inevitable even after Brussels.

But the idea of cancelling or postponing the Brussels meeting is fraught with dangers because of the possible reaction in the US. The negotiating authority conferred on the Administration of US President George Bush by Congress in effect runs out on March 1 next year and there are already moves afoot in the US Senate to withdraw it sooner. Failure, or even delay in Brussels would only increase this risk, and the US would be left without a mandate.

Bush administration officials have always known that some of the results of the Uruguay Round would be unpopular with individual domestic lobbies. Their strategy has been to aim for a strong package of reforms that would generate enough support in the business community to overcome this opposition.

Thus, though reduction of support to its dairy and sugar farmers would be deeply unpopular, it could be pushed through Congress as part of a package that also included firm action to open up service sector markets, reinforce the protection of intellectual property and curb EC farm export subsidies.

Yet, because the European Commission has to obtain a specific mandate from member states to negotiate on farm reform, Europeans have tended to see this part of the negotiations as somehow separate from the rest. EC farm officials regard it as safe to call the US bluff on farm reform because they think Washington simply could not deliver the cuts of 75 per cent in domestic supports and 90 per cent in export subsidies which it is proposing.

This may turn out to be justified now that the prospects of a strong overall package have receded and political support for the Round has dwindled in the US. But a compromise cobbled together on this basis would be one that left the door open to escalating trade wars and unilateral "bully-boy" tactics on the part of the US that could deepen the looming world economic slowdown.

Far from being a triumphant conclusion to a four-year slog, the Brussels meeting thus now looks as though it will be an exercise in crisis management. The name of the game for the individual ministers present will be to try to salvage some face for themselves while ensuring that the blame is laid at someone else's door.

October 1990 29	November 1990 2	November 1990 4	November 1990 6	December 1990 3	March 1991 1
GATT CONSIDERS CALLING CRISIS MEETING	TNC INFORMAL CRISIS MEETING IN GENEVA	CAIRNS GROUP MINISTERS MEET IN GENEVA	INFORMAL CRISIS MEETINGS TO TAKE DECISION	BRUSSELS MINISTERIAL MEETING STARTS TO WRAP UP GATT ROUND	US FAST-TRACK NEGOTIATING AUTHORITY EXPIRES

European Community farm and trade ministers will meet in Brussels next Monday to determine the EC position on farm subsidies at Gatt talks, it was announced yesterday, Reuter reports from Brussels. Their failed meeting on Saturday had charged Mr Renato Ruggiero, the Italian trade minister, to work out a plan of action.

'Big Seven' urged to salvage trade talks

By William Dullforce in Geneva

THE INTERNATIONAL Chamber of Commerce (ICC), representing businessmen throughout the world, has called on the heads of government of the seven big industrial nations to rescue the Uruguay Round trade talks.

The ICC represents over 7,500 companies and business associations in 110 countries.

Mr Peter Wallenberg, ICC President, said in an open letter sent to capitals at the weekend that it was time for the leaders to fulfil the pledge they gave at their summit meeting in Houston in July to "maintain a high level of personal involvement and to exercise the political leadership necessary to ensure the successful outcome of the Round".

Conflicts over agricultural reform, the $800bn-a-year world business in services, trade in textiles and clothing, and several other crucial issues, threaten to wreck the four-year trade liberalising exercise due to end in December.

Failure would place the future of the open multilateral trading system in jeopardy and pose a grave threat to investment and jobs, Mr Wallenberg said in his strongly-worded letter to heads of state and government in Canada, France, Germany, Italy, Japan, the UK and the US.

Unexpected political and economic events had abruptly and adversely altered the outlook for the world economy since their July summit. Now the need for an "unambiguously successful outcome" to the trade talks was even more vital, in view of the threat of recession and rising inflation, Mr Wallenberg affirmed.

Moreover, the Swedish industrialist and banker warned, the international political co-operation achieved over the Gulf crisis could be seriously damaged by the bitterness and recriminations that would follow a failure of the Uruguay Round.

Leaders of the seven trading powers should fulfil their Houston pledge and give clear instructions to their negotiators to resolve the issues continuing to divide them. Decisions were particularly imperative in the negotiations on agriculture.

It was inconceivable for the ICC that a sector so heavily protected for far too long from the normal disciplines of market forces, at enormous cost to taxpayers and consumers, should be allowed to endanger the whole multilateral trading system and the huge potential expansion of world trade in manufactures and services, Mr Wallenberg wrote.

The ICC's step came as European Community leaders at the weekend failed to resolve a dispute over farm subsidies which has prevented the European Commission from even tabling an offer on agriculture in the Uruguay Round talks.

The EC had to stop dragging its feet on farm reform, Mr Wallenberg said in his letter. The US had to adhere to the Houston undertaking that no sector should be excluded from an agreement on services. Japan had to demonstrate a more positive attitude generally to the aims of the talks.

Carlisle: list of 16 points

Meeting suspended after deadline is passed

Anti-dumping negotiations deadlocked

By William Dullforce

NEGOTIATIONS on anti-dumping, a critical issue for Japan and other Asean exporters in the Uruguay Round trade talks, are deadlocked.

Mr Charles Carlisle, deputy director-general of the General Agreement on Tariffs and Trade, suspended the talks on Saturday after the deadline for reaching an agreed text on amendments to Gatt's anti-dumping code had passed with no accord in sight.

Two-thirds of the dozen delegations which for the past seven weeks have been intensively discussing the dumping issue in a special group under Mr Carlisle's chairmanship, agreed that there was no point in continuing.

Dumping will now be referred to Gatt director-general Arthur Dunkel's "green room", where senior negotiators attempt to resolve issues that have arrived at impasse.

An exporter dumps when he sells a product on a foreign market at a price lower than on his domestic market. In the view of Asian exporters, the Gatt code, which allows countries to impose anti-dumping duties on products sold in this way, has been increasingly abused in order to protect home industries vulnerable to foreign competition.

The most publicised instances have been the EC's charges on imports of Japanese consumer electronic goods and US action against steel imports, but many other imported products have been hit. It was agreed that the Gatt rules needed to be tightened and refined, so that exporters could operate under more stable and predictable conditions. But in the Geneva talks, the Asians' demand for stricter discipline on governments' anti-dumping practices has been resisted by the US and, more flexibly, the EC, Australia and New Zealand.

At the same time, the Asians have been reluctant to agree to the tightening of rules against circumvention of anti-dumping duties by exporters who assemble products from imported components within a foreign market or assemble in a third country. Japan, for instance, argues that in many cases these exporters have merely been taking rational investment decisions.

By Saturday, practically no progress had been made on 16 points listed by Mr Carlisle as calling for speedy agreement. Negotiators were still at odds over such elementary issues as how to decide when a product is being dumped and ways of determining whether imports of the product are in fact injuring sales of domestic products.

On the anti-circumvention rules sought by the US and the EC, "we were getting nowhere", one negotiator reported.

MEXICO MOUNTS A CHALLENGE TO THE US OVER TV AND CEMENT

MEXICO is challenging US anti-dumping action against two of its leading exports, cement and colour TVs, William Dullforce writes.

It has decided to invoke the dispute settlement mechanism provided for under the anti-dumping code of the General Agreement on Tariffs and Trade.

In a first step yesterday, it tabled a request for the start of consultations with the US authorities.

The Mexican government was very concerned about the US tendency to target Mexican products, just as they had begun to succeed in international competition, Mr Jesus Seade, ambassador to Gatt, said.

In August, Washington had imposed an average duty of almost 60 per cent on imports of Mexican cement based on alleged "regional dumping", Mr Seade added.

Mexico believed that this method, based on the effects of imports at the regional rather than the national level, did not conform with Gatt rules.

Mexico's cement industry, with nearly 30 plants, was among the most efficient in the world, producing around 25m tonnes last year.

It was no secret that behind US producers' anti-dumping complaints were multinational concerns which were trying to undermine Mexican competition, Mr Seade claimed.

The colour TV case involves alleged circumvention of anti-dumping charges. US industry claims that colour picture tubes from countries already under anti-dumping duties in the US, are being shipped to Mexico's in-bond industry sector for assembly there.

So far, the US authorities have only started an inquiry into the allegation. In the television case, Mexico was working together with Canada, Mr Seade said.

Plan to cut import tariffs on natural resources

By William Dullforce

SUBSTANTIAL worldwide cuts in import charges on forest and fish products, ores and minerals and non-ferrous metals are now foreshadowed in the Uruguay Round trade talks. Trading involved amounts to $223bn (£113.1bn) a year.

Mr Lindsay Duthie, chairman of the group negotiating the liberalisation of trade in natural resource-based products, has circulated on his own responsibility the text of an agreement that could be presented to trade ministers at the conclusion of the Round in December.

Under his programme customs duties on imports of raw materials in the four sectors would be abolished. All existing tariffs of 3 per cent or lower on semi-processed or processed products would be eliminated.

Tariffs over 3 per cent would be cut under a formula ensuring that the higher the present duty, the deeper the reduction. A 20 per cent tariff, for instance, would drop to 9 per cent.

Non-tariff barriers to trade would be converted to tariffs according to a formula similar to that proposed by the US and other farm-exporting countries in the lagging talks on agriculture.

The resulting tariffs would then be reduced from January 1, 1992 under the formula described above. Governments would "bind" all tariffs emerging from these processes, guaranteeing that they will not been raised again in the future.

During 1991, a newly-constituted Gatt committee would identify all forms of industrial assistance, including governmental subsidies, granted to natural resource-based products and establish ways of eliminating their trade-distorting effects.

The committee would apply a similar exercise to export controls.

In September, some countries voiced frustration over the meagre results from the negotiations on natural resource-based products, which form one of the four areas where Gatt's classical market-opening processes were expected to liberalise trade under the Uruguay Round.

The other areas are general tariff reductions, an overall lowering of non-tariff barriers and the tropical products of special interest to developing countries.

By tabling the text of an agreement on natural resources, Mr Duthie hopes to gather support for it in the five weeks before the trade ministers meet in Brussels. But he has made it clear that his draft can still be amended.

The Franco-German roadblock

By David Buchan in Brussels

THE European Community impasse over Gatt shows, once again, that joint opposition by France and Germany can be as solid a roadblock to Community decisions as their joint action is in powering the EC along.

The unwillingness of the Italian presidency of the EC to try to outvote the Community's two most powerful members on the Gatt farm support issue will appear, to many in Britain and some in smaller EC states, an unpleasant contrast to the seemingly lighthearted way in which yet again last weekend in Rome Britain's partners put Mrs Margaret Thatcher in a minority of one on monetary union.

Technically, France and Germany could be outvoted. On an issue like this which can be decided by so-called qualified majority in the Council of Ministers, these two countries have only 20 votes. This is three votes short of a blocking minority. But Paris and Bonn only need one more country (not Luxembourg which has only two votes) to join them – and Gatt farm reform is scarcely popular – to create such a block.

Politically, there are two reasons for not forcing the issue to vote. The good, and perhaps compelling, reason is that the Community wants to preserve the appearance of maximum unity in the Gatt poker game with the US.

The bad reason is that no one believes that the French and Germans would, as one senior EC official put it yesterday, "would ever let themselves be outvoted".

Cool response fails to deter Britain on hard Ecu plan

By Peter Marsh, Economics Staff

BRITAIN is sticking to its guns on its proposal for a new common European currency – in spite of its isolation from the rest of the European Community over the start of stage two of European economic and monetary union (Emu).

The UK says its hard European currency unit could be introduced during stage two, which the other 11 countries in the EC agreed over the weekend should start in 1994 even though Britain believes that setting a date is premature.

Britain's ideas on the hard Ecu – which would differ from the existing soft Ecu, a notional financial unit based on a basket of European currencies – have been received with only lukewarm enthusiasm by other EC nations and by industry.

None the less, Mr John Major, the chancellor, believes the hard Ecu, which would be managed by a new European Monetary Fund (EMF), could form a useful step towards further integration of European economic and monetary policies.

The hard Ecu would carry a government guarantee that it could never be devalued and would be used in parallel with existing currencies. It could help to cut businesses' transaction costs across Europe, according to Mr Major.

But the UK government has been careful not to commit Britain to making the hard Ecu the basis of a single currency, which some in Europe see as the central feature of the final stages of Emu but which Mrs Thatcher opposes.

Yesterday Treasury officials and private-sector supporters of the hard Ecu from the UK banking community were putting a brave face on the outlook for Britain's ideas.

They believe that, as the date for stage two draws nearer, other EC nations will find the hard Ecu more attractive. "It would give governments something to do during stage two," said one banker.

The new EMF, Britain says, could provide governments with experience in integrating their economies prior to the setting up of a fully operating European central bank. Ultimately the EMF could evolve into the European central bank, though the UK has so far been unclear about whether this would be desirable.

A key part of the hard Ecu concept, though one seldom alluded to publicly by UK officials, is that managing the institutional framework for the currency would give European governments a taste of just how difficult it might be to operate monetary affairs on a pan-European basis without this eating too damagingly into aspirations of independence.

If such a state of affairs meant that the pace of the moves towards monetary integration was held up then this would be – from Mrs Thatcher's point of view at any rate – entirely to the good.

Major: hard Ecu a useful step

EC politicians leap ahead of the technicians

By Peter Norman, Economics Correspondent

ONCE again politicians have leapt ahead of their technicians in their enthusiasm to build a new Europe.

The news that 11 European Community member states have committed themselves to January 1, 1994, as the starting date for phase two of economic and monetary union and will decide three years later whether to launch a single European currency engendered decidedly mixed feelings among the monetary officials who will have to turn dreams into reality.

Whereas some central banks – notably the National Bank of Belgium – were wholly in favour of the weekend's developments, there was elsewhere a sense of déjà-vu. Several continental monetary officials expressed scepticism about the targets set in Rome, but no-one was prepared to be quoted on the record because all EC leaders except Mrs Margaret Thatcher had agreed the Rome communiqué.

The setting of dates in the European Community is a familiar way of maintaining political momentum behind ambitious or difficult projects such as economic and monetary union. The problem, as seen by those monetary officials with long memories, is that the technique can blow up in the politicians' faces.

This was the case in the 1970s when a target of 1980 for Emu, established as part of the so-called Werner plan, foundered in the monetary disturbances of that decade. The EC also had a bad experience with setting dates in the early years of of the European Monetary System. Plans for the establishment of a European Monetary Fund and partial pooling of reserves after two years' operation of the EMS had to be shelved.

Although the Bundesbank declined to comment on the weekend meeting, there was clear concern in Frankfurt that the conditions agreed by the leaders for moving to stage two of Emu were significantly weaker than previously advocated by the German central bank.

One clear difference to earlier conditions that had been supported by the Bundesbank and others was the stipulation that stage two should only go ahead when "the greatest possible number of member states have adhered to the exchange rate mechanism". Previously talk had been of all member states.

According to some officials this dilution of conditions raised the prospect that the EC leaders might be prepared to move ahead to stage two without sufficient convergence of economic performance in EC member states. This would increase the difficulties that the Community would face in controlling inflation.

It also raised the spectre of a two-speed Europe emerging. Some countries would welcome this. Belgium, for example, has made no secret of its desire to tie its economy closer to those of an "inner core" of EC states centred on Germany with the Netherlands, Luxembourg, France and possibly Denmark.

Yesterday, officials of the Belgian National Bank were enthusiastic that a date had been set, arguing that it would give an extra push to the process of economic convergence.

Institutional oranges and macro-economic apples

By David Buchan

IS the European Community getting macro-economic apples mixed up with institutional oranges in its rush towards a single currency? Judging from the Rome summit communiqué, the answer is yes.

The generally accepted Delors blueprint for economic and monetary union (Emu) has three phases – the first phase that started on July 1 this year and consists of closer co-operation within the existing European Monetary System; the second one which Britain's 11 EC partners have now declared should conditionally begin on January 1 1994 and include creation of the EuroFed central bank; and the final stage when one fine day (within a reasonable time after 1997, says the Rome communiqué) the Ecu becomes the Community's sole legal tender.

Now, as the recent Brussels Commission report on Emu stresses, Stage One is essentially macro-economic. Its aim is that the economies of the Twelve should grow closer together, the single market programme should wipe away trade barriers between them, a strengthened anti-trust and state aids policy should put them on an equal competitive footing, differences in their inflation rates should narrow, and through the peer pressure of finance ministers discussing each other's policy weaknesses in the Council of Ministers, there should be a general improvement in the conduct of public finances.

By contrast, Stage Two is institutional, in the sense that its only agreed component so far is creation of a new institution. Indeed the only rationale of having a transition to full Emu is the need to set up and give practice to the EuroFed.

One might suppose that progress in the macro-economic phase might be measured by some macro-economic indicators, such as inflation differentials. Not at all. The summit makes it clear that the measuring stick for the passage from Stages One to Two will be almost entirely institutional.

Institutional yardsticks are, of course, much easier to handle than macro-economic ones, and that is why pro-Emu enthusiasts prefer them. The four conditions attached to Stage Two in Rome are relatively simple to check – passing all 290-odd single market measures; ratifying an Emu treaty incorporating secondary legislation on national central bank independence and deficit financing; "the greatest possible number" of currencies within the exchange rate mechanism. Even this last is not vague; everyone knows it means getting Portugal into the ERM, and creating a let-out for Greece.

It will be harder to start arguing about what is "sufficiently low" inflation or what are "excessive" budget deficits. But these macro-economic criteria will have to be used one day, before 1997.

Soft drinks all round.

And the toast is, Cadbury Schweppes. Because we've grown to become one of the largest soft drinks manufacturers in the world. It's an achievement we think that's worth celebrating.

Realising the potential in this fast growing market, we began to concentrate our efforts on three main areas.

The first was to make the most of our existing brands. Using the Schweppes brand name to launch new drinks onto the market. And turning the growing demand for adult soft drinks into an opportunity to show that a Schweppes tonic is as good with just the ice and the slice, as with the gin.

The second was to lower the production costs. To achieve this, we've been investing in our bottling network.

And Coca-Cola & Schweppes Beverages Ltd. in Great Britain, by increasing capacity and thereby reducing the unit cost, has proved an excellent solution in this market.

The third was to build a portfolio of soft drinks wide enough to cater for all tastes. We've achieved this in two ways. First, by acquiring new brands such as Crush, Canada Dry and Oasis. And second, by creating new brands by combining unexpected flavours. Ginger ale with raspberry or cherry for instance (well, we did say all tastes).

As a result of our efforts in these areas we've now become the world market leader in adult soft drinks, as well as the European market leader in the still fruit drinks sector.

By turning soft drinks into hard currency, we've seen the trading profit of our beverages sector grow from £89.3 million in 1987 to £147.4 million in 1989.

All of which is evidence of the vision and success of Cadbury Schweppes' management, and cause to pop a few corks, or in our case, uncork a few pops.

Cadbury Schweppes
MANAGEMENT PROVEN IN THE MARKET PLACE

UK NEWS

Watchdog criticises overseas car advertising

By Raymond Snoddy

THE ADVERTISING Standards Authority yesterday attacked a number of car manufacturers, including Nissan and Toyota, for a resurgence of advertisements using the speed of their vehicles – up to 155mph – as the selling point.

The authority upheld a complaint against Toyota (GB) for a national press advertisement on the Toyota Lexus headed: "It's capable of 155mph. So why did it take six years to get there?"

Nissan UK also had a complaint upheld against it for an advertisement on the £35,000 300 ZX captioned "the sports car with greatness thrust upon it" which included references to "controlled aggression...seduced by its scorching performance".

The advert also referred to a "governed top speed of 155mph".

The ASA criticisms come in the authority's half-yearly survey which looked at all car advertisements carried in the print media in June and July.

Of the 64 advertisements monitored, the ASA says, 13 carried "unacceptable references to speed". Action was taken on six of those, and the other seven, including the Toyota and Nissan advertisements, were also the subject of public complaints.

The authority said yesterday that Saab and Renault advertisements were also picked up both by the ASA monitoring exercise and involved complaints from the public.

The authority said it did not object to factual information on acceleration times and top speeds because that was valid information that the consumer should have.

Mr Michael Copeland, Toyota director of external affairs said: "We think the whole thing had been blown totally out of proportion.

"Nearly every car on the road is capable of more than 70mph."

AIR ROUTE ALLOCATIONS

Anglo-American dispute looms as airlines wrangle over Pan Am slots

By Paul Betts, Aerospace Correspondent, in Geneva

A POLITICAL dogfight between the UK and the US is looming over London's Heathrow Airport about the reallocation of air routes between the two countries.

This followed the decision of Pan American, the financially troubled US airline, to sell for $400m its UK air routes to United Airlines, one of the biggest US carriers.

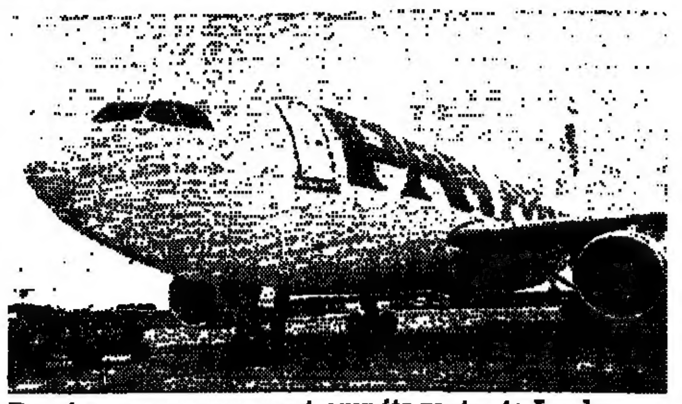
The primary issue at stake is whether United should be allowed automatically the right to use the five Pan Am slots at Heathrow or be obliged to go to the other London airports at Gatwick or Stansted.

Routes to London are subject to the UK government's ruling that no new airlines can operate in the increasingly congested Heathrow Airport.

United at present has no flights to the UK although it has applied to serve Manchester and Glasgow.

Many American and other international long haul carriers serving the UK have been forced to go to Gatwick or Stansted, including American Airlines, Northwest, Delta and Cathay Pacific among others.

Furthermore, many of its long haul competitors including American Airlines, have been queueing up to operate out of Heathrow and believe they have precedence over United.



Pan Am: a row may erupt over its routes to London

Mr Cecil Parkinson, the transport secretary, is unlikely to allow United at this stage to fly to Heathrow.

The government is conducting a review of slot allocations at Heathrow which will only be completed in March, airline officials indicated yesterday.

The European Commission is also conducting its own review of airport take-off and landing slots at congested European airports. United is hoping to start operating the Pan Am routes by next spring.

Airline officials, however, believe United faces an uphill struggle to secure the necessary approval not only from the UK but also from the US regulatory authorities.

American Airlines, which is challenging the United-Pan Am deal with a bigger cash offer for the UK routes, spent nearly $200m earlier this year to buy the TWA Chicago to Heathrow route rights.

American, however, was told by the UK Government it would have to operate out of Gatwick under the existing rules banning new entrants into Heathrow. American is still anxious to operate out of Heathrow which is regarded as a significantly more attractive long haul destination than Gatwick.

In the UK, Mr Richard Branson's Virgin Atlantic Airlines has been vigorously campaigning for access into Heathrow for long haul services to the US and the Far East.

British Midland Airways, the second tier UK airline, is also seeking more slots at Heathrow.

The battle over United's bid to fly to Heathrow is now expected to precipitate a review of the existing Bermuda 2 air service agreement between the UK and the US.

● European airline traffic to the Middle East dropped considerably because of the Gulf crisis and passenger growth in Europe slowed in September, the Association of European Airlines said yesterday.

The 21-member AEA said "Near and Middle East routes showed a substantial loss of traffic" following the August invasion of Kuwait.

September figures showed it declined by 15.2 per cent compared to last year. The September increase in European traffic, meanwhile, was 7.5 per cent compared with an average growth of 12 per cent in the first eight months of the year, the AEA said.

BA review, Page 20

Companies welcome idea of single currency

By Peter Marsh, Economics Staff

NEARLY 50 per cent of British UK companies would welcome a single European currency, according to a survey by Management & Marketing Strategy Analysts, a business consultancy.

The survey showed that the idea of a single currency was popular among nearly half the 114 companies questioned, although 25 per cent were opposed.

Two-fifths of the groups supported the notion of a single European bank, with one-third against.

Roughly three-quarters of the businesses said Britain would benefit from entry into the European exchange rate mechanism, although of these companies nearly half said they thought the timing of entry earlier this month was politically motivated.

Three-quarters of the companies, meanwhile, think that Britain is either in a recession or will experience one soon.

The survey, conducted over the past three weeks and directed at senior marketing managers, showed large differences between specific industrial sectors in views about the effects of the economic slowdown in Britain.

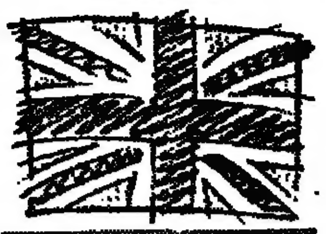
Only 16 per cent of service companies in the survey thought that a recession was already apparent, compared to 40 per cent in retailing.

A further 40 per cent of retailers, however, was sufficiently encouraged by the recent cut in interest rates to believe that Britain's economy was picking up. This was a view shared by only about a quarter of the companies in the survey in the fields of manufacturing and retailing.

Of the total companies contacted, 25 per cent said they thought Britain was in a recession, while a further 47 per cent believed a recession would take place next year.

UK Marketeers – Expenditure Intentions and Attitudes, £49, available from Management & Marketing Strategy Analysts, 21 Philbeach Gardens, London.

BRITAIN IN BRIEF



UK retains right to dump at sea

Britain may be involved in a row over the disposal of nuclear waste at sea during the meeting of the London Dumping Convention this week.

The states that have signed the convention have observed a moratorium on nuclear sea dumping since 1983, a policy due to be reviewed in 1991.

The subject could be raised at this week's meeting. Some countries are expected to press for the moratorium to be lifted and radioactive dumping to be resumed in the Atlantic and Pacific.

A spokesman for the Ministry of Agriculture, the department which negotiates on the convention, said that the recent policy document on the environment made Britain's position clear. "We want to keep open the option of dumping solid radioactive waste in the deep ocean."

Competition up in electricity

Britain's 12 regional electricity companies are preparing for post-privatisation competition by opening new shops in each other's territory.

This is the first sign of the more entrepreneurial atmosphere that electricity privatisation was designed to create.

Norweb, which has the highest retail turnover and profits of all the regional companies, opened three shops in neighbouring Manweb's territory on October 19.

BBC may sell archive material

Channel 4, one of two UK commercial television channels, is investigating the possibility of buying a wide range of programmes from the BBC library.

Preliminary talks have already been held on the issue between Mr Michael Grade, chief executive of Channel 4 and Mr Paul Fox , managing director of BBC Television.

Eventually Mr Grade envisages spending up to £10m a year on BBC programmes, although that is unlikely in the short term because of budgetary restraints.

Decision on Thames tragedy

A High Court judge is to rule on whether the decision by the Director of Public Prosecutions not to charge anyone with manslaughter after last year's Marchioness disaster can be challenged.

One of the survivors of the River Thames collision between the pleasure boat Marchioness and the dredger Bowbelle, in which 51 people died, has asked Mr Justice Nolan for leave to seek a review of the decision.

Mr Dominic Langlands-Pearse, whose wife died in the tragedy, wants the DPP, Mr Allan Green, QC, to bring manslaughter and other charges against Tidal Cruises, owner of the Marchioness, Ready Mixed Concrete group, owner of the Bowbelle, and Captain Douglas Henderson, master of the Bowbelle.

The town of Cambridge, home to one of the UK's leading universities, has proposed a controversial bicycle ban. Students at Cambridge University (pictured above) have traditionally owned bicycles as a means of getting to lecture halls. However, the local council now wants them banned from the town centre between 10am and 4pm.

The move has angered university authorities and the row might even require government intervention.

Accountant body to specialise

The Institute of Chartered Accountants in England Wales, the UK's largest professional accountancy body with more than 90,000 members, is planning to set up several internal "faculties" in order to make itself more relevant to members' needs.

The first will be for tax practitioners, the institute said. The aim will be to create a specialist body to serve the technical needs of chartered accountants who work mainly as tax advisers.

Rolls-Royce deal breaks for tea

A dispute over a morning tea-break is preventing Rolls-Royce Industries, the aerospace group, from completing negotiations on a shorter working week for its 20,000 manual workers.

The group has concluded an agreement with manual workers at eight of its nine plants where blue-collar workers are employed. Agreement has still to be reached at the group's factory in Leavesden, in southern England. The outstanding issue is the company's proposal to abolish a fixed-time morning tea-break.

Child support body proposed

Absent parents who fail to pay for the maintenance of their children will be pursued by a new Child Support Agency under proposals announced by the government.

The agency will collect information on the incomes and obligations of parents, make legally binding assessments of payments and enforce them where necessary.

In a policy document entitled Children Come First the government declares its determination to ensure that "parents honour their responsibilities to their children whenever they can afford to do so".

Labour agreement at Japanese plant

Pioneer agrees no-strike deal with electrical union

By Michael Smith

PIONEER, the Japanese consumer electronics company, has chosen Britain's electricians' union, the EETPU, as the only union to represent its workers at a new plant in northern England.

The single-union deal is a setback for other unions affiliated to the Trades Union Congress, the umbrella group for most of the country's largest unions.

The no-strike deal follows another victory for the EETPU at a plant being built near Cardiff by Robert Bosch, the West German engineering company.

It will boost the electricians' hopes of being chosen by Toyota, the Japanese car manufacturer, for its proposed plant in Derbyshire, where more than 3,000 people may be employed.

Pioneer is investing nearly £20m in a factory being built at Wakefield, northern England, to make compact disc players, other audio products and audio-video laser disc products for the European market. The company plans to take on the first 100 workers from next March and the EETPU says that up to 1,000 could be employed eventually.

The EETPU was competing with four TUC-affiliated unions to win the Pioneer deal – the TGWU and GMB general worker unions, the AEU engineering union and the MSF general technical union.

Pioneer said the main reason for choosing the EETPU was that the union was closely associated with the company's business sector and technology.

The company was also influenced by the experience of other Japanese companies which had "good relations" with the EETPU.

However, the EETPU's promotion of no-strike agreements played a significant part in the decision. Mr Peter Forster, personnel director for the Wakefield plant, said Japanese management of Pioneer had been worried about the possibility of strikes in Britain.

The EETPU has been heavily criticised by other unions for its willingness to enter no-strike agreements. Two years ago it was expelled from the TUC for refusing to withdraw from two no-strike agreements which caused inter-union disputes.

The choice underlines the EETPU's success in winning single union deals at greenfield sites. Mr Eric Hammond, EETPU general secretary, said the union had 45 single-union agreements, more than any other union, and about a dozen of these have been signed since its expulsion from the TUC.

The union has done particularly well in winning deals with Japanese companies setting up in Britain, although other unions have won significant agreements too.

The AEU's single-union agreements include those at the Nissan, Komatsu and NSK Bearings plants in the north-east of England and the Sony factory in Bridgend.

The GMB is the only union recognised by Matsushita in Cardiff and Sumitomo in Washington.

Tourism insulates Cumbria from recession

The north-west is well placed to weather an economic squall, says David Lascelles

THE crisp autumn air is in the fells, and the colours are turning gold and brown.

The Lake District in north-west England is a good place to escape Britain's economic malaise, and that may be one reason why the county of Cumbria is suffering less than many others.

A record 15m tourists will pass through by the end of this year, spending an estimated £300m. Even now, the season is far from over; the "late break" trade is getting into full swing.

In Windermere, the busy heart of the district, unemployment is a mere 1.5 per cent, and it is difficult to imagine here that other parts of the country are being gripped by hardship.

In Cumbria as a whole, the unemployment rate is higher – 5 per cent. But it went up only 0.1 percentage points during the summer, and is still well below the national rate of 6.5 per cent, let alone the overall rate for the north of England of 9.7 per cent.

Even allowing for the fickle nature of tourism and the large numbers who come from outside the county to take up the seasonal jobs, this is a useful cushion.

Ten years ago, the collapse of traditional industries on the west Cumbrian coast – mainly iron and coal – threw thousands out of work and pushed unemployment in some places to above 20 per cent. But the county has made a game effort to get back on its feet, playing heavily on the positive political – and natural – environment.

Today the largest industrial employers in the region are well-insulated against the swings of the economic cycle.

VSEL, the newly independent builder of nuclear submarines in Barrow-in-Furness, employs 14,000 and is busy for the time being.

British Nuclear Fuels at Sellafield (above) is a tourist attraction and a major source of employment in the region

Fifty miles up the coast, British Nuclear Fuels at Sellafield is in the middle of a large expansion phase which is providing 5,000 construction jobs, over and above the 5,000 employed at the plant itself.

Where the weakening economy is beginning to bite is in towns along the coast like Workington, which have a fairly standard mix of industry: heavy and light manufacturing, chemicals and assembly.

By contrast, the county capital Carlisle in the east, where business is tilted much more towards service industries such as transport, has actually seen unemployment fall over the past three months. The busy M6 "corridor" has helped.

In Ulverston, home to electronics companies such as Oxley and MARL, they have difficulty filling all the skilled job vacancies.

"The county's industrial base is much better equipped to cope with a downturn," says Mr Mike Heaslip, the industrial development officer for west Cumbria.

But if Cumbria does manage to weather a recession with less damage than its northern neighbours, it will have fresh problems of its own in a couple of years' time. By then, BNFL's expansion will be complete and the construction jobs will go.

At VSEL, the uncertainties about the long-term future of the defence industry will also take its toll on job numbers. "It's highly unlikely that we shall be able to maintain present employment levels," says Mr Noel Davies, VSEL's chief executive. "It's going to require enormous changes in attitudes by management, the employees and by Barrow."

But one thing that Cumbria has learnt from the traumas of the last decade is to plan ahead.

In Workington, the local and county councils have got together with businessmen to form the West Cumbria Development Agency. This is linked to a fund into which BNFL is putting £1m a year for 10 years, and the councils some additional money, in order to finance several thousand long-term jobs.

In Barrow, another county council initiative, Project Furness, is transforming the old iron works site into a new industrial park with the help of a £7m derelict-land grant. That should generate another 1,000 jobs by the mid-1990s.

Apple Corps challenges namesake on trademark

By Raymond Hughes, Law Courts Correspondent

APPLE Corps, the company owned by the former members of the Beatles pop group, has begun a court hearing to seek a worldwide ban on the use of the Apple name on equipment for synthesising music designed by the California-based Apple Computer group.

At the centre of the dispute is the Midi – musical instrument digital interface – equipment designed to synthesise music, made and sold under the Apple mark by Apple Computer.

In the hearing, which began yesterday in London and may last up to 14 weeks, Apple Corps alleged that Apple Computer had broken a 1981 agreement setting out the computer company's rights in relation to the Apple trademark.

Apple Corps, which has trademark protection in 27 countries for its distinctive Apple mark, asked Mr Justice Ferris – the judge – for damages for breach of contract and an injunction restraining Apple Computer from acting in breach of the agreement by seeking to have its similar Apple mark registered in the UK.

Apple Computer contends that the agreement is unenforceable and that Apple Corps' attempt to enforce it breaches the Treaty of Rome.

Mr Gordon Pollock, QC, for Apple Corps, said Apple Computer entered into a carefully drafted agreement in 1981 to ensure that it could use its Apple trade mark in relation to computers, while ensuring that that use did not impinge on Apple Corps' use of its mark in the music sphere. This was reaffirmed in another agreement in 1986.

Midland fails to sell leasing subsidiary

By David Lascelles, Banking Editor

MIDLAND BANK, one of the UK's leading clearing banks, has failed to find a buyer for Forward Trust, the leasing subsidiary which it wanted to sell to realise additional capital.

Midland said yesterday that while it had received several expressions of interest, negotiations had shown that no one was willing to offer an acceptable price, and no would-be buyer had made an offer.

Midland was looking for a substantial premium over Forward Trust's net asset value of £303m.

Midland, however, said difficult market conditions and the deterioration in the economic climate caused by the Gulf crisis had complicated the talks.

For Japanese banks, the decline in the Tokyo stock market was a further factor in their reluctance to add to overseas commitments.

Forward Trust, the UK's third largest leasing company, has assets of £4.3bn and made pre-tax profit of £45m last year.

It is a self-contained unit within the Midland group with its own client list: business lines include leasing, point of sale consumer finance and factoring.

Failure to find a buyer marks a setback for Midland at a time when it needs to strengthen its balance sheet.

Although capital ratios are in line with international requirements, its provisions against Third World loans are lower than other UK clearing banks.

The bank yesterday said that no other parts of the group were currently for sale, although this did not mean that it had decided against further disposals.

Midland's failure to find a buyer for Forward Trust is likely to be a further factor forcing a delay in its proposed merger with the Hong Kong and Shanghai Bank, which should have taken place at the end of this year.

The difficulties facing both banks are expected to lead to a decision next month to postpone the merger until next year.

Amstrad view of EC plan queried

By Michael Skapinker

A FORMER computer designer at Amstrad has disputed the claim by Mr Alan Sugar, the electronics group's chairman, that a proposed European Community software directive would make it impossible for the company to manufacture in Europe.

Mr Roland Perry, who left Amstrad last week, said Mr Sugar was being unduly alarmist about the directive, which is aimed at preventing software piracy.

Mr Sugar wrote to Mr Peter Lilley, the trade and industry secretary, last week saying the directive would prohibit "reverse engineering" – the legitimate examination of other manufacturer's products which enables companies to make products compatible with manufacturers such as IBM.

Amstrad alleges that the UK government has made proposals that would upset EC attempts to make the anti-piracy directive acceptable to European manufacturers.

Mr Perry said IBM publishes most of the software information needed for the design and manufacture of compatible products.

A boost to IBM's PC line

INTERNATIONAL Business Machines will today announce additions to its personal computer line that will redress the performance advantage currently held by Compaq and other PC manufacturers.

New models of the company's PS/2 machines will cater for the differing needs of personal workstation users, multi-user computer systems and portable computing.

The fastest desktop machine is designed for software developers, computer-aided design engineers and those involved in mathematical analysis. This is the model 90 with a 33 MHz Intel 486 processor. It is approximately 33 per cent more powerful than any IBM PC previously announced and delivers more than 50 times the processing power of the original IBM PC introduced in 1981.

The model 90 will have more expansion room than the current range of desktop machine, the model 70, and will feature a high resolution graphics display standard called the extended graphics array. It will *provide higher performance* and more colour capability than IBM's present high resolution graphics standard.

The model 95 is equally powerful but is packaged in a floor-standing cabinet and provides additional expansion room for hard disk drives and optional adaptors. It is aimed at the multi-user market, either using local area networks or running software under Unix.

Both models can be equipped with 25 MHz 386, 25 MHz 486 or 33 MHz 486 processors. A special connector can be used for additional memory or a second processor – theoretically doubling the machine's performance.

In addition, the machines come with a feature which allows the less powerful models to be upgraded to the highest processor specification for much less than the cost of replacing the entire machine.

IBM will also announce the availability of a more elegant version of the OS/2 operating system. OS/2 1.3 runs faster, uses less memory, provides greater printer support and is compatible with the popular microsoft windows 3.0.

Paul Lavin

Paul Abrahams charts the developments which have helped lessen the risk of airline accidents

Safer ride to the wide blue yonder

For those who grip the edge of their seat, screw up their eyes and promise themselves that they will never fly again if the aircraft gets through the flight in one piece, the statistics that demonstrate that flying is becoming an increasingly safe form of transport will probably do little to allay their fears.

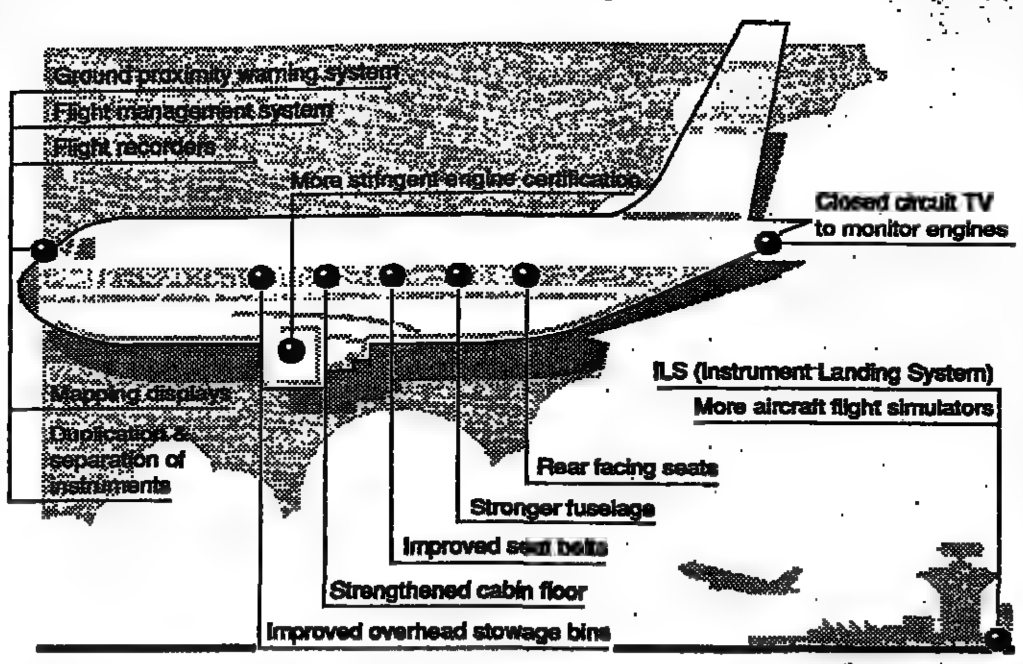
Despite such horrific disasters as those which occurred at Lockerbie nearly two years ago and Kegworth shortly after, a series of technological developments over the last 30 years has diminished the risk of crashes occurring and reduced the chances of people being killed. These include:

● Ground proximity warning systems. These use radio altimeters carried on the aircraft which bounce a radio wave off the ground and time the return to relate the aircraft's height above ground.

These systems, which warn the pilot if the aircraft is nearing the ground at a time when the crew are not expecting it, have severely reduced the risk of unexpected terrain. Since 1975 there have been 44 accidents of this type worldwide, but only 14 of these had ground proximity warning systems installed and working.

● Instrument landing systems. These use radio to relate the pilots' position to that of the runway and warn them if their approach is dangerous. About half of all accidents occur between initial approach and final landing, according to Boeing. Such systems need equipment to be installed on the ground, but can also enable pilots to use auto-approach and auto-land systems in poor weather. Pilots can now land with visibility at only 75 metres.

● Flight recorder monitoring. Several airlines, particularly in Europe, have set up a programme of monitoring flight recorders to ensure that no dangerous procedures are undertaken. The monitoring, which does not exist in the US, is conducted on a no-blame basis.



● Flight management systems. On the more recent aircraft manufactured by Airbus Industrie, the four-nation European consortium, a computer is installed containing algorithms which maximise the response of the aircraft in a dangerous situation, without the risk of stalling.

● Mapping displays. These show the pilots exactly where the aircraft is on an electronic map. Before, pilots only had compass, map and limited radio aids to provide them with an indication of their location.

● Aircraft simulators. Before aircraft simulators existed, a significant proportion of accidents occurred during training, when pilots were required to deal with problems such as failed engines, which they might never have to face during their entire working lives.

Ben Cosgrove, the senior vice-president of engineering and flight-testing at Boeing, says that the simulators are now so real that the pilots never forget what happens during such exercises. "When they get out of the seat, they're sweating," he says.

One further development that has helped prevent accidents is the duplication and separation of systems within aircraft. Vital systems, such as electrical wiring and the hydraulics, are duplicated or even triplicated and then installed in different parts of the aircraft, so that if one fails the aircraft will still fly.

One of the most important observations of the report by the Air Accidents Investigation branch of the UK Department of Transport last month into the Kegworth accident, when a British Midland Boeing 737-400 crashed near East Midlands Airport, is that crashes are becoming more survivable.

One reason for this is that aircraft frames and cabin floors are stronger than they used to be and are less likely to break up on contact with the ground. Most of the 47 fatalities in the Kegworth crash were in the areas where the airframe and floor collapsed.

The Department of Transport report suggested a range of further developments that could help prevent similar accidents or reduce the number of casualties. These included rear-facing and stronger seats, improved seat-belts, redesigning overhead storage bins, closed circuit television to monitor the outside of the aircraft and increasing cabin floor toughness.

However, Cosgrove says that such developments may not all be a good idea. By adding features that might make crashes more survivable, the manufacturers would be forced to add weight to the aircraft. This, he *explains, would cost the air*lines money in additional fuel. "You have to make sure that when features are added to the aircraft they are not detrimental to the economics. There is a risk that we end up gold-plating the aircraft.

"We live in an age when rapid transit is affordable to a significant proportion of the population. It would be wrong to make jet travel merely the province of the very rich. Research and money may well be better spent on preventing aircraft crashing in the first place, rather than making the occasional accident more survivable," he says.

MORE expensive and extensive testing of aircraft engines is certain to follow the official report of the Air Accidents Investigation branch of the Department of Transport into the Kegworth disaster last year.

The flight crew of the British Midland Boeing 737-400 airliner mistakenly shut down the good right-hand engine after feeling vibrations from blade failure which emanated from the damaged left engine.

These engines, made by a US-French consortium of General Electric and Snecma, were the higher thrust Dash 3C1 derivative of the established CFM56-3B2 engine, which powered the earlier Boeing 737-300 airliner.

The CAA says the CFM56-3C1 engine had not been tested in a fully instrumented condition – powering the Boeing 737-400 in flight. This meant that the vibrations and blade failures that led to the Kegworth crash had not been detected during the testing that was supposed to uncover just such problems.

Ground test running of an engine should involve the simulation of operation at the altitudes the engine will experience in airline service, but at best these simulations, by definition, are only approximations to the reality of operation at altitude. More instruments can be used, but less realistic atmospheric conditions.

Derivative engines, until the Kegworth crash, had less stringent testing and certification requirements for airline service.

With the inadequacies and approximations of present simulation techniques, the Air Accidents Investigation Branch is insisting that future testing should be carried in the air.

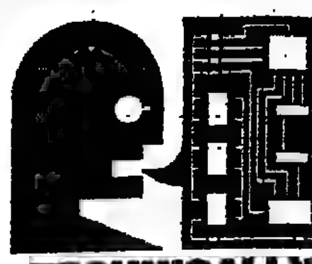
This requirement will lead inevitably to the development of new designs of instrumentation for testing and monitoring the engines as thoroughly in their real environment as is possible in large ground test facilities, where the instrumentation is comprehensive, but the atmosphere is unreal.

Snecma said in Paris that the "technical flaw" in its derivative engine would have been seen immediately if it had gone through the full certification process required for new engines. It acknowledges that the flaw did not show up in the normal, but less rigorous certification process for derivative engines.

Lynton McLain

Unix alone is not enough

By Louise Kehoe



TECHNICALLY SPEAKING

At the time, it seemed to be a seminal event in the history of the computer industry. Top executives from seven of the largest computer companies stood together on a New York stage to form the Open Software Foundation. The group promised to develop a new computer operating system that would finally create truly "open" systems.

That was more than two years ago. Last week, when members of the OSF finally "kept their promise" by announcing OSF/1, a rival version of the AT&T Unix computer operating system, the first question they faced was: "Who will use it?"

Certainly, each of the members of OSF had prepared accolades for the unveiling of OSF/1. Hewlett-Packard said that it will put OSF/1 on some workstations to be introduced next year and that it plans to migrate other products to the OSF/1 technology base.

Jack Kuehler, IBM president, said the industry giant "will offer OSF/1 for many major *IBM computers in the near* future". And Digital Equipment said that it will merge OSF/1 with its existing Ultrix version of Unix.

Many observers remain sceptical, however. They expect the largest computer vendors to pick and choose elements of OSF/1, rather than to embrace it wholeheartedly.

So what has changed to diminish the significance of this unusual collaborative effort to move the computer industry towards standards to enable different brands of computers to swap software and data with ease?

In the 30 months since OSF was formed, the trend towards open systems has gathered momentum. What was once a "user-driven" movement has become the central strategy of some of the world's largest computer makers. Hewlett-Packard, Unisys, Digital, NCR and Data General are just a few of the companies which now trumpet open systems as the way of the future.

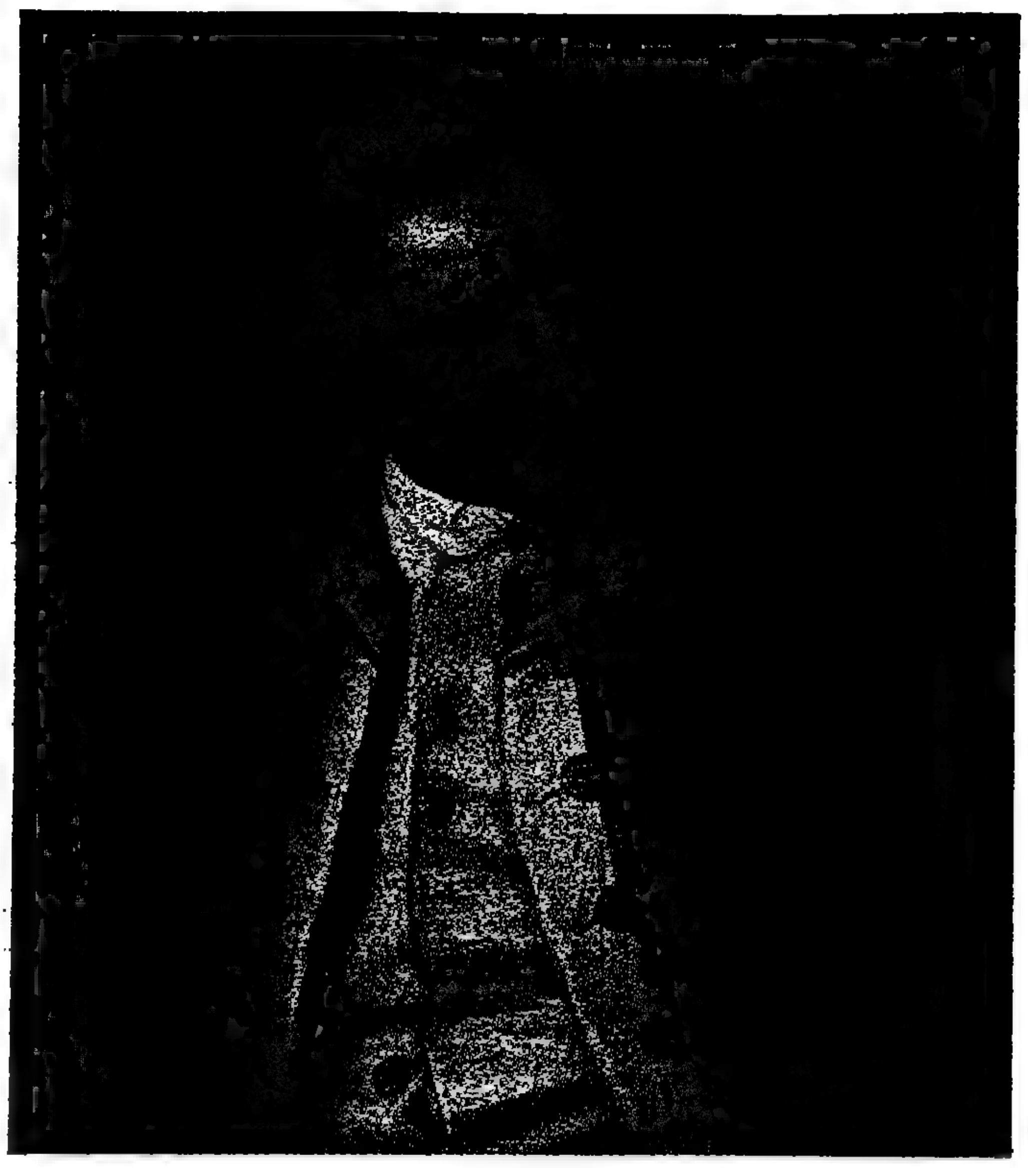
OSF/1 has arrived too late to be at the forefront of this movement. The operating system was delayed, in part, because OSF changed course in mid stream. Last November OSF decided to scrap its original plans to base OSF/1 on IBM's AIX version of Unix and instead adopted Carnegie Mellon University's "Mach" as the basis of its new program.

The delay cost OSF dearly. Last year, rivals AT&T and the closely allied Unix International industry group launched their own "unified" version of Unix called V.4 and it has already been widely adopted. While OSF and others were mulling the pros and cons of different varieties of Unix, the computer world moved on.

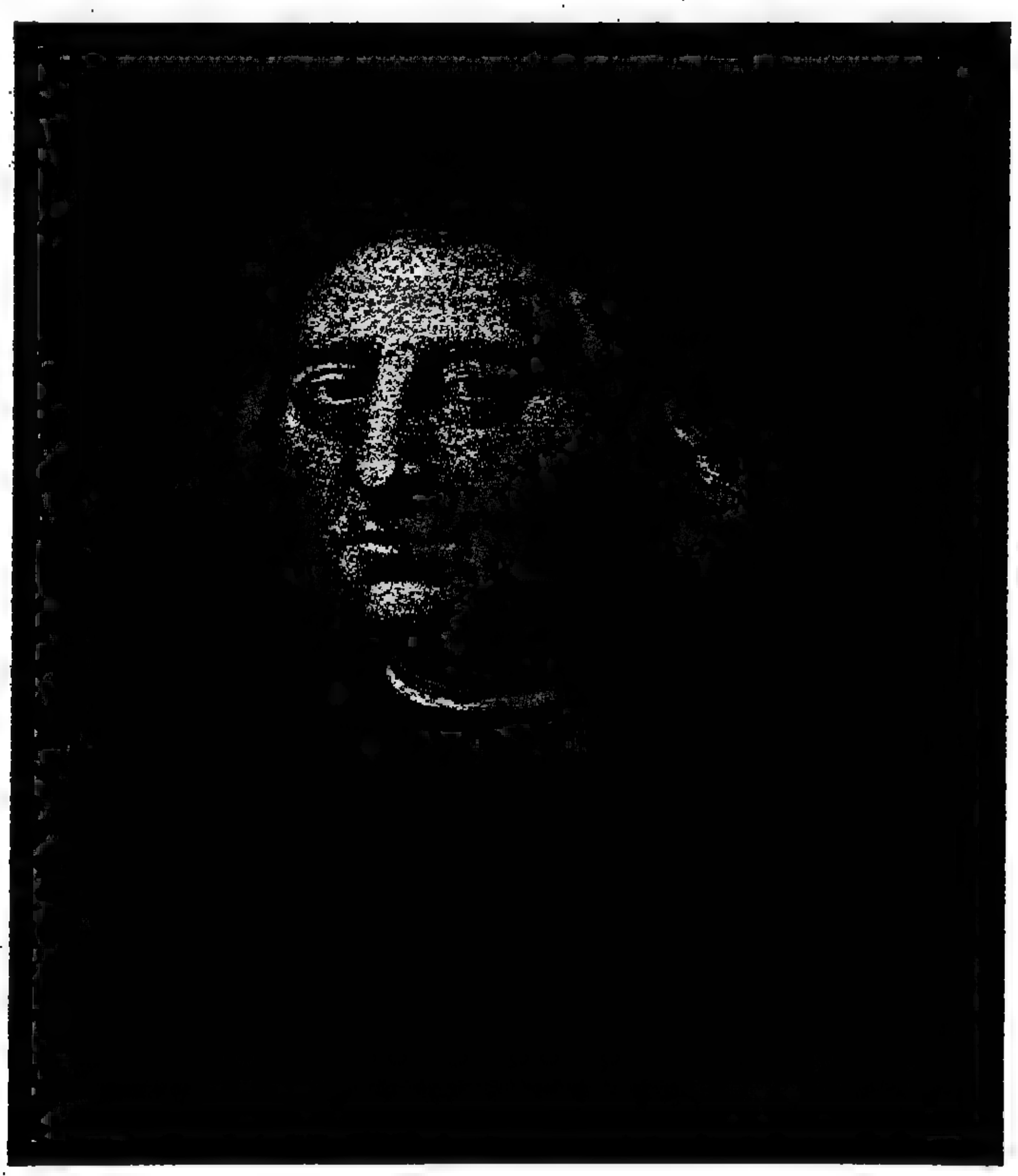
The critical issue now facing computer users and manufacturers is how to make computers work together on networks. In this context, OSF/1 seems less important than it did in May 1988. But the OSF should not be dismissed as insignificant. The group has contributed greatly by encouraging support for software standards among the world's largest computer companies. What is more, OSF is working on a software product that could be of far greater import.

The group plans to introduce next year its "Distributed Computing Environment" (DCE), a set of programs that will make it possible for different types of computers linked on a network to work together, appearing to the user to operate as if they are single system. Significantly, DCE is a facility that can be tied both to Unix and to proprietary operating systems.

Already Digital plans to incorporate DCE in a new version of its proprietary VMS operating system. Until now open systems has been synonymous with Unix. If OSF's DCE lives up to its promise, operating systems software will no longer be the criterion that determines whether computers are compatible.



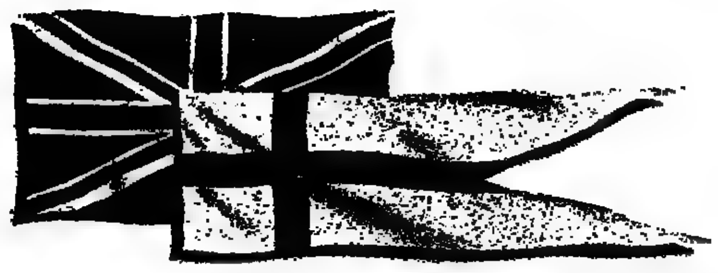
CAPTAIN COOK HAS ACCEPTED THE INVITATION.



CHRISTOPHER COLUMBUS WILL BE WAITING FOR HIM IN GENOA IN 1992.

GENOA, MAY 15TH - AUGUST 15TH, 1992

SPECIALIZED INTERNATIONAL EXHIBITION "CHRISTOPHER COLUMBUS: SHIPS AND THE SEA"



Christopher Columbus, a Genoese, discovered the New World in 1492. At the time it represented a profound expansion of human knowledge. Made possible by a combination of iron will-power and thinking years ahead of its time. Five hundred years later, in 1992, to mark the fifth centenary of his triumph, a Specialized International Exhibition is to be mounted. Entitled "Christopher Columbus: Ships and the Sea". And, appropriately enough, it is to be held in Genoa. As the great maritime civilizations meet to celebrate and illustrate the story of seafaring. And to look forward to the future. Exploring the latest ideas, projects and technology. Among the participating countries is Great Britain. A nation so rich in marine tradition and culture could not possibly afford to miss out. The site for the exhibition will be Genoa's Old Harbour. A recreation of the unique structures of the ancient port. Designed by architect Renzo Piano and developed by the Iri Group Company Italimpianti the project will rebuild the "heart" of the town. Bringing Genoa closer to the roots of its ancient civilisation. In addition the whole complex will serve, after the exhibition, as an important multifunction centre for the town. 1992, therefore, is an important date for all the seafaring nations of the world. One they cannot afford to miss. As they meet on the threshold of the next millennium to forge a new bond between man and sea.

COLUMBUS 1992:
THE PROTAGONISTS OF THE SEA MEET IN GENOA.

Growing from the landscape

William Packer reviews Ian McKeever at the Whitechapel

For all the talk of the general revival of figurative painting over recent years, and the return to critical respectability of such weighty considerations as content, symbolism and the spiritual value of art, it remains pretty clear that abstract painting has by no means gone away. Rather more than that, if there has lately been a return to anything, it has been to the large-scale abstraction of the 1960s that was the product of abstract expressionism in its later phases. Shades of Motherwell and Kline, Morris Louis and Olitski – indeed a show of new work by Olitski opened a week ago at the Francis Graham Dixon Gallery (17 Great Sutton Street EC1: until November 18), to which subject I hope to return.

But of course there are differences, and what in the 1960s might have been justified at least by the vigour and creative involvement that comes of being very much the work of its time, today so often seems merely chic and sophisticated an exercise in style. That is not to say that it is not well done. Ian Davenport for example, whose first London show has just closed at Waddington, was the toast of this years controversial *British Art Show*, with his glossy restatement of Morris Louis in viscous, varnished stripes and washes of black, white and grey, flowing freely down his huge canvases. Undoubtedly he did it very well, and the result is smart enough to enhance the severest of post-modern interiors. But all effect and no content? Perhaps. As Gulley Jimson might say, "all very clever, but is it worth the trouble?" We can only wait to see quite where such pastiche and elegant variation will lead him.

Ian McKeever, who at 44 is accorded the distinction of a substantial retrospective at the Whitechapel Gallery (until December 2: sponsored by Barclays Bank), is a different case, though the point remains much the same. His work may have become what it is by an evolutionary process rather than by tactical student decision, yet it is now abstract, expressionist and very large, and the aura of the 1960s hangs over it never the less.

McKeever had no formal training and became an artist, some 20 years ago, by the simple expedient of taking a studio and professing himself so. His self-election came at just the time, around 1970, when minimalism and conceptualism were the latest orthodoxies, with the practical emphasis shifting decisively towards sculpture. His primary interest and subject have always been the landscape, but his first response, too, was essentially sculptural, and of a kind that immediately put him close to such artists as Richard Long and Hamish Fulton. Nature and the landscape, lately the remoter northern landscape, and the physical surface of that landscape in particular, its rocks and water and undergrowth, are what have always engaged him. His early work often took the form of installation, the tableau set up in the gallery or studio or, with an increasing frequency, in the landscape itself, to be documented and experienced quite as much through the agency of the photograph as by actual physical presence. The photograph was integral to his work from the first and, *mutatis mutandis*, has remained so.

But those changes are significant for the practical shift they brought about from sculpture to painting. He had always painted, but at first rather in the manner of the scene painter, serving his installations. By the end of the 1970s, however, he was making large drawings that were parallel and ambiguously complimentary to the photographic image of the subject. In these works the marks and strokes of charcoal and brush both register themselves in terms of description, in direct comparison to the descriptive qualities of the photograph, and yet by that same comparison, so very different as to become quite drained of reference, indeed abstracted.

'The Moth Tree', 1986, by Ian McKeever: oil and photograph on canvas

By the early 1980s the paint was being applied directly to the photograph itself, blown up to the largest scale. The effect was at once to simplify the particular image, of tree or thicket or torrent, and to obscure, or at least to mystify it. Something of the sense of the landscape would remain, but the surface of the painting itself, handled loosely almost to the point of desperation, had become more and more a thing of itself. Generalised and thus abstracted, some vestigial reference and response to the experience of the landscape may have remained, just so long as the photographic base was still employed, but in the latest and the largest paintings of all, that link has at last been severed.

These new diptychs, some 9 feet by 18 overall, are certainly impressive in the way that any so large an object can hardly fail to be impressive. The very attempt to sustain an image of any sort or quality across so large a surface, too, has a kind of crazy courage to it, though it may again be mere lack of imagination, or simple arrogance. To be fair to McKeever, he does carry off these *magna opera* of his with some considerable panache. The techniques of 30 years ago serve him well enough, refined as they have been since at the hands of such masters as the egregious Julian Schnabel, of New York. The paint floods across the canvas, rich and succulent, swelling out into images that might be maps of estuaries as the tide goes down. Or they might be arbitrary *Rorsach* blobs and mirror images writ very large, playing elegant games of inversion and self-reference, redolent of who knows what. Forgive me your blushes but what Gulley Jimson really said was: "It is like f***ing 'Annie Laurie' through the keyhole: all very clever, but is it worth the trouble?"

★

The smaller upstairs gallery at the Whitechapel is given to a small group of the wartime watercolours of Emil Nolde, the *unpaintings* he made when he was an un-person under the Nazis, or at least an un-artist. Necessarily small and private works, their intensity is less surprising, in the circumstances, than their manifest humanity, good humour and charm.

'La Dame blanche' and 'Zazà'

WEXFORD FESTIVAL

Between 1825, when it was first seen at the Paris Opéra, and the outbreak of the First World War Boieldieu's *La Dame blanche* was performed over 1600 times; it had run initially for 300 consecutive performances and its success had reached out as far as Indonesia and Argentina. Since then, however, it has fallen into the slough of neglect that qualifies for revival at Wexford - airings in the Netherlands in 1954 and Germany in 1970 seem to constitute the total its recent history.

The reasons for its spectacular beginnings were nationalistic and cultural, while the Wexford production provided all the necessary explanation for its subsequent neglect. When *La Dame blanche* arrived, the French *opéra comique* had reached a lowpoint; in the first quarter of the 19th century it had produced nothing to rival Rossini's success or to match the rising German school of Weber and Marschner. Armed with a decent libretto by Scribe craftily assembled from the highly fashionable Walter Scott, Boieldieu was able to offer his audience a neatly Gallicised brand of Rossini, with a sprinkling of good tunes and expert scoring, which the French public eagerly consumed.

La Dame blanche's combination of a dispossessed heir, winsome orphan girl and the mysterious appearances of a white lady was drawn from a variety of Scott's novels. Bringing all these elements into the plot was clearly more important than giving depth to any of the characters, so that the villainous estate manager is double-dyed, and the hero, one Georges Brown, is all smiles. It's hard to decide whether it should be taken at least partially seriously, but the Wexford production gave no room for doubts: Jean-Claude Auvray's staging (it is a co-production with the Opéra de Nantes) sent the whole thing up from the start, complete with knowing nods and winks, mechanical rabbits and a devilish servant who wandered around supervising events. Any inclination one felt to give the benefit of the doubt to the opera was confounded at once.

Yet it looked and sounded good – Kenny MacLellan's sets, filled the space with much skill and using colour (black and white tartan!) to careful effect, while Emmanuel Joel's conducting was idiomatic and unfailingly buoyant. The cast, predominantly Francophone, was more than serviceable too, though the one weakness, the tenor Jorge de Leon taking the role of Brown, was a quite crucial one; Marriette Kemmer was an affecting Anna, the orphan who turns out to be the ghostly White Lady, Antoine Normand and Brigitte Lafon made quite a lively meal of Dikson and Jenny the couple who aid and abet Brown in his quest for justice.

Zazà proved to be a very different proposition, and undoubtedly the discovery of this year's Wexford. It was first performed in 1900 (conducted by Toscanini), six years after Leoncavallo had made his name with *Pagliacci*. The composer distilled his own libretto from a play by Berton and Simon, and furnished it with all the *verismo* trimmings – a weak feckless man, faithful betrayed woman and crucial heart-tugging role for a child. Zazà, a singer, star of the St Etienne music hall, falls badly for the cultivated Dufresne, who neglects to tell her he is married. A visit to his Parisian home and meeting with his daughter Toto confirms all the rumours, and when confronted with the evidence Dufresne shamefacedly leaves abandons Zazà returning to his wife and leaving his lover in despair.

It makes a good package: the first act is full of dovetailed ensembles and snatches of the music-hall acts, the second and fourth centre on duets for the lovers; the third threatens to topple over into mawkishness as Toto (a spoken part) tells Zazà of her idyllic family life and plays a Cherubini *Ave Maria* on the piano around which Zaza threads a lament to her fast disappearing dreams. Melodically it is not always that distinguished – the best material, curiously, goes to Cascart, Zaza's former lover and stage partner – it needs strong performances to take flight.

Luckily *Zazà* boasted Wexford's vocal star this year: the American soprano Karen Notare, who took the title role has a compelling stage presence and a formidable technique. From Zazà's fight with a rival singer in the first act to her reproachful accusations of the last Notare was the centre of attention, capable of some moments of thrilling attack. The remaining principals were all first rate too: Claude-Robin Pelletier's Dufresne a little nasal when pushing his tone hard but otherwise freely passionate, John Cimino a hefty, warm Cascart, Theresa Hamm a lively Natalia, Zazà's maid, and Ludmila Andrew coping excellently with the awful mother Anaide, one of Leoncavallo's freshest creations.

Jamie Hayes's production (sets by Ruari Murchison) did wonders in cramming all the detail of the first act into a tiny space and kept the focus sharp as the dramatic net drew tighter, while Bruno Rigacci conducted as if he really believed this was an opera of enormous distinction. For most of the time the Wexford audience believed that too.

Andrew Clements

This Other Eden

SOHO POLY THEATRE

The soon-to-be-abandoned basement which has served as base for the past 18 years for Verity Bargate's Soho Poly theatre has a sepulchral quality entirely in keeping with the latest play from Jonathan Moore.

Its aptness is twofold: first and foremost because *This Other Eden* finds Moore reprising the lament for urban England that he made with *Regeneration* at the Half Moon in Stepney a couple of years back; but also because this young writer seems to have become interred in the post-industrial angst of the last decade.

While with *Regeneration* he recorded the death throes of the East End, with this rather more successful play he moves south to Croydon and a brave new world of civic enterprise made old and bitter before its time by the attritions of a displaced people.

His setting is an estate built on the old London airport, his protagonists an Anglo-Irish family. Father is an unemployed Londoner who was once cock of the walk; mother is a fey Irish sparrow brought to the edge of a breakdown by her cultural and emotional alienation. Their once joyful union has produced a thug and a slut.

It is familiar territory, to the extent that his central character – mother Hannah, played to the hilt by Maggie Shevlin – occupies a similar position to the patriarch in so many black British plays of recent years. She is an immigrant who looks dewy-eyed to the land of her birth, invoking its superstitions and spectres.

Both husband and St Patrick: Shaun Curry, with Maggie Shevlin as his mass-going wife

For Mass-going Hannah these involve the ghost of her long-dead father, and a vision of St Patrick who, with Guinness, fag and shamrock mitre, provides an irreverent foil to her passionate nostalgia. Both are played by Shaun Curry, impressively shifting from his main role as Hannah's benumbed and boozy husband.

The trouble with this triumvirate is that all three are clichés – as indeed are Hannah's children, the boot boy with an emerald soul (Dorian Healy) and the tart with a heart (Helen Patrick). Moore has taken on board the pain of exile but not its contradictions and it shows in the predictable humour of the early scenes and the sentimental sweep of the later ones. This is a pity, since between them lies a structurally accomplished piece with some good, snappy scenes, which are well served by Michael Kingsbury's production.

Claire Armitstead

Carlo Rizzi

ROYAL FESTIVAL HALL

On Sunday the London Philharmonic should have been conducted by Klaus Tennstedt – something of which the packed hall was even more firmly persuaded by concert-end. His replacement was the young Carlo Rizzi, who bravely took on the original programme. It was a pity; for Rizzi displayed high Rossinian mettle in the Royal Opera's *Cenerentola* last season, and he has a wider reputation as an enterprising advocate of 19th-century Italian opera. This programme simply caught him on the hop, with some keen ideas about Schubert and Mahler but no settled frame for them yet.

Oddly, considering how he had whipped on the Covent Garden band, the serious weaknesses here lay in some self-consciously slow, portentous tempi. At the frozen pace Rizzi chose for the Allegro moderato of Schubert's "Unfinished" Symphony, the anxious churning that begins it sounded like Philip Glass. The LPO sustained the movement manfully (with Schubert's long melodic lines suddenly much longer), but the giveaway came with *the fortissimo call-to-attention chords* that interrupt silences. Measured strictly in Rizzi's tempo they seemed utterly arbitrary, without dramatic point. The Andante con moto was warmly shaped; the one real awkwardness about the "Unfinished", however, is the similar tread of its two movements – and Rizzi's bizarre solution was to give them virtually *identical* pulses.

The Fourth Symphony of Mahler went up and down. Up at the start, where Rizzi turned most of the right roguish *rubati* in the main tune; if he was less flexible than Mahler invited him to be with the rest of the movement (the "nightmare" passage was stiff and unconfident), there was plenty of bright-eyed wit. Down a bit in the Scherzo, which boasted an engaging lilt but suffered from some skewed instrumental balance; straight down in the "Poco adagio", which Rizzi aimed to make a withers-wringing "Molto adagio" – to deadly effect. In the Heavenly finale Felicity Lott's eager, not-too-artful soprano offered amends, but there were harsh, unmotivated contrasts between episodes. Those who had hoped for vintage Tennstedt were not to be satisfied with Beaujolais Nouveau.

David Murray

Sonny Rollins

ROYAL FESTIVAL HALL

Jazz Colossus a.k.a. Sonny Rollins suits the wide open spaces of the South Bank well. The amount of music the US tenorman delivers needs a big setting. In any case, he doesn't like clubs and a lot of seats are needed to accommodate the number of fans attracted by someone alleged to be the world's greatest living saxophonist. On Saturday's showing it is not hard to understand the appeal nor justify the accolades. Playing a typically mixed set of new compositions and standards which range in colour from calypso to C&W, the Rollins sound is both easy listening and richly rewarding. Not easy listening in the homogenised MOR sense, but because there is so much music in it.

Kicking off with "No One But Wonderful You", a recent composition, followed by a calypsoesque comfy, and then into the standard "Someone to Watch Over Me", Rollins packs the notes in. The rhythm section burbling away behind him, he moves up and down the beat and mischievously inserts different snatches of melody, without ever losing direction. And he *does it for so long*. One day *it* will be discovered that Sonny Rollins did indeed have twice the normal lung and heart capacity.

His five piece group, all regular side men for a number of years, provides the perfect straight ahead lines for Rollins' endlessly rich seam of improvisation. Al Foster, busy behind his small kit and Bob Cranshaw on electric base have worked alongside Rollins the longest. Trombonist Clifton Anderson, guitarist Jerome Harris and Mark Soskin on keyboards complete a selfless team which exists to serve the Rollins improvisation.

The American ballad "Long Ago and Far Away", features a compelling drum solo from Foster (at last), and this followed by the classic Tennessee Waltz, complete with flanged guitar solo from Harris. "Don't Stop the Carnival", Rollins' signature, and copyright, had to come eventually and when it did brought Clifton Anderson's trombone into the limelight for the first time.

That could have been enough but it took "Original Soul", a new one, and "Tenor Madness", an old one from Coltrane, to close the set. And closed it should have stayed, for not even a (60-year-old) colossus should be called *on to encore twice after so much superb* playing.

Garry Booth

ARTS GUIDE

October 26-November 1

OPERA AND BALLET

London

Royal Opera, Covent Garden: Verdi's *Attila* receives a first-rate new production at Covent Garden. Edward Downes conducts superbly, the production by Elijah Moshinsky is bold and striking, and Ruggero Raimondi (later Barseg Tumanyan), Josephine Barstow, Dennis O'Neill (later Giuliano Ciannella), and Giorgio Zancanaro sing with fiery eloquence: strongly recommended.

English National Opera, Coliseum: Revival of the award-winning 1986 production by David Pountney of Busoni's *Dr Faust*, conducted by Antony Beaumont, with Alan Opie, Graham Clark, and Helen Field in leading roles. More performances of *The Magic Flute* in Nicholas Hytner's fresh and uncluttered production.

Paris

Ballet Frankfurt in William Forsythe's choreography juggling with theatrical illusions presents the premiere of *Slingerland* (40282840). Theatre des Champs Elysees.

Glasone. A three-act opera to Francesco Cavalli's music with Jeffrey Gall in the title role and with Medea sung by Gloria Banditelli (47203637).

Brussels

Monnaie Opera in Hans Zender's *Stephen Climax*. Sylvain Cambreling conductor, staged by Peter Muss Bach with Ronald Hamilton as Simeon Dale Duesing as Stephen. Theatre Royal de la Monnaie. (Wed 8.00pm).

Amsterdam

National Ballet with *Under My Feet, Pyrrhic Dances II* and a new ballet by Jan Linkens. (Tue, Wed). Muziektheater.

The Hague

Nederlands Dans Theater with *La Cathédrale Engloutie* and the world premieres of new ballets by Philip Taylor and Jean-Christophe Maillot.

Barcelona

Donizetti's *Roberto Devereux*, in a new production conducted by Richard Bonynge, with a cast led by Edita Gruberova and Fernando de la Mora, alternating with Christine Weidinger and Miguel Cortez. Gran Teatre del Liceu. Ends Nov 10 (412 14 66).

Bologna

Amedeo Amodio's version of the *Nutcracker* to Tchaikovsky's music dance by his Aterballetto company with the excellent duo Elisabetta Terabust and Vladimir Derevianko, conducted by David Garforth. Teatro Comunale. (Tue, Wed) (529999).

Genoa

Bellini's *La Sonnambula* in Mattia Testa's production made last year for the Teatro la Fenice in Venice, with Luciana Serra as Amina, Pietro Ballo as Elvino and Carlo Striuli as Count Rodolfo, conducted by Eugene Kohn. Teatro Margherita. (589.239).

Hamburg

Carmen brings Claire Powell, Angela Maria Blasi, Michael Sylvester and Harald Stamm together. *Elektra* highlights the week with two Strauss specialists Eva Randova as Klytaemnestra and Gwineth Jones in the title role.

Frankfurt

Tosca in Jean-Pierre Ponnelle's wonderful production has Galina Kalinina excellent in the title role. The new controversial Arie Zinger production of *Aufstieg und Fall der Stadt Mahagonny*, by Kurt Weill has Michal Shamir, William Pell, Valentin Jar, Glenys Linos as leads.

Bonn

Last Faust's *Verdammung* is excellently sung by Delores Ziegler, Neil Rosenheim and John Macurdy. *Rigoletto* in Graham Vick's successful production with a first-rate cast led by Vincenco la Scola, Ingvar Wixell, Leontine Vaduva and Stephen Dupont. Also *Satyricon*, choreographed by Youris Vamos.

Cologne

Goetterdaemmerung, part of the new cycle in a co-production with the Duesseldorf Opera, produced by Kurt Horreswill, has its premiere this week. The cast includes the renowned Wagner singers William Johns (Siegfried), John del Carlo (Gunter), Hartmut Welker (Alberich), Matti Salminen (Hagen), Deborah Polaski (Bruennhilde) and Waltraud Meier (Waltraute). *Orfeo ed Euridice* is also extremely well performed.

Stuttgart

Magnificat in a guest performance with the Hamburg ballet, choreographed by John Neumeier. The *Magic Flute* opens in Peter Oskarson's production with Tomoko Nakamura, Kathleen Casello, Ulrike Sonntag, Uwe Heilmann, Carsten H. Stabell and Joern W. Wilsing. Also *Tosca* and three one-act operas by Ernst Krenek. *Der Diktator, Das Geheime Koenigreich, Schwergewicht oder die ehre der Nation.*

Munich

Adriana Lecouvreur stars Margaret Price, Bruna Baglioni, Neil Shicoff, Claes H. Ahnsjoe and Angelo Romero. *Le nozze di figaro*, conducted by Hanns-Martin Schneidt is well sung by Lucia Popp, Jeanne Piland, Angela Maria Blasi, Alan Titus, Wolfgang Brendeland Kurt Moll. *Goetterdaemmerung* with Hildegard Behrens, Caroline Petring, Rene Kollo and Aage Haugland rounds off the week.

New York

Metropolitan Opera. James Levine conducts the season premiere of Arvin Brown's production of *Porgy and Bess* with Priscilla Baskerville, Marvis Martin and Terry Cook. James Levine also conducts Piero Faggioni's production of *Un Ballo in Maschera* with Aprile Millo, Lucien Pavarotti and Juan Pons. *Boris Godunov*, conducted by Yevgeny Svetlanov, features Stefania Toczyska, Gary Lakes and John Shirley-Quirk in August Everding's production. Guido Ajmone-Marsan conducts *Rigoletto* with Jerry Hadley in Otto Schenk's production (362 6000).

New York City Opera. John Lehmeyer's production of *Martha*, conducted by Arthur Fagen, features Sheryl Woods as Lady Harriet Durham, Martin Thompson as Lionel and Dean Peterson as Plunkett. The week also includes Scott Ellis's production of Sondheim's *A Little Night Music, La Boheme* and *La Fanciulla del West*. New York State Theater, Lincoln Center (870 5570).

Chicago

Lyric Opera. Frank Galati directs a new production of Argento's *The Voyage of Edgar Allan Poe*, with libretto by Charles Nolte. Christopher Keene conducts Donald Kaasch as Poe, Winifred Faix Brown as his wife and Richard Stilwell as Poe's nemesis Griswold. Harold Prince's production of *The Girl of the Golden West* continues, conducted by Bruno Bartoletti, with Marilyn Zchau as Minnie and Placido Domingo as Dick Johnson. Civic Opera House (332 2244).

Tokyo

Martha Graham Dance Company. *Temptations of the Moon, Herodiade, Night Journey, Acts of Light* (Tue). Shinjuku Bunka Centre (580 0031).

Bejart Ballet Lausanne. *Ring Um Den Ring*. New ballet/spectacle by Maurice Bejart, based on Wagner. Tokyo Bunka Kaikan (Mon-Thur) (725 8888).

Deutsche Staatsoper, Berlin. *Tristan und Isolde*. NHK Hall (Thur) (235 1861).

SALEROOM

Paris puts on a brave face at the fair

After more than three years of euphoria the prices of contemporary paintings at auction have been coming back down to earth with resounding thumps in Paris.

Leading auctioneers holding sales to draw collectors and dealers attending the FIAC art fair in the Grand Palais have all found that only good quality works with good pedigrees are selling reasonably well. The percentage of works bought in has been extremely high and many less important works are failing to find buyers, despite estimates set very low to match the gloomy mood of the market.

On average prices have slipped by 35 per cent in comparison with October last year to reach roughly their level of 1986, before the big boom in modern and contemporary art began. The auctioneers are putting on a brave face and finding moral consolation for financial loss: the market, they say, is now in a healthier state.

After a nigh catastrophic sale of second rate works early this month Pierre Cornette de Saint Cyr fared better on October 23 with one that totalled Fr16m including a 1954 Poliakoff which fetched Fr3m and two Warhol Marilyns which reached an honest Fr1.2m.

Catherine Charbonneaux on Friday sold just over half the lots in her sale, a high percentage by current standards. Binoche et Godeau on Saturday auctioned a 1962 Cesar bronze "Venus" for just over Fr2m and a Chaissac Totem sculpture for Fr1m, both just above estimate. But works bought in accounted for Fr4.2m out of a total of Fr5.3m.

At a major 108 lot sale on Sunday Guy Loudmer sold just over Fr13m of paintings and bought in for Fr33m. "This is ridiculous" the normally placid Loudmer said as bidding for a painting by Serge Charchoune hovered around Fr85,000, barely half its estimate. Bidding for several minor pieces stopped at under half the estimate and very few works actually went over. Six failed to draw a single bid and the removal of one of them, a piece of striped cloth by Daniel Buren actually drew approving applause.

"It's an understatement to say there were few buyers. Overall there is a huge retention of money. Now we know what certain painters are worth – it's been an excellent sale to put things in their right place" Loudmer said.

Nicholas Powell

FINANCIAL TIMES

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Tuesday October 30 1990

Deeper and wider

LAST FRIDAY's announcement by the Swedish *prime minister that it is* "Sweden's ambition to become a member of the European Community" has been interpreted as an admission that Sweden's long-vaunted model of social democracy has failed. But it should also be seen as a tribute to the EC's success.

The Community's attractiveness to economically backward south European countries has long been recognised, but it has only lately begun to attract more prosperous north European countries as well. Austria's application last year deserved a warmer welcome than it got, but the declaration of intent from Sweden, a leading economic and industrial power, is far more significant. It sounds the knell for the European Free Trade Association (Efta), and thereby also for the "European Economic Area", now under negotiation between Efta and the EC: an arrangement which would require Efta *members*, as the price of admission to the EC's single market, to accept rules they would have at best a token role in defining. If Austria and Sweden have now decided their interests would be better served by full membership, it cannot be long before the other four members of Efta decide the same.

EC strengthened

The EC can only be strengthened by the adhesion of these states, and it should expedite the process as much as possible. Some may argue that the processes of economic, monetary and political integration should be completed before enlargement can be considered, but that would mean keeping the would-be members in limbo throughout the decade. Obviously it now makes sense for the Community to get the immediate next phase out of the way, in the shape of the two intergovernmental conferences due to start in December, but thereafter relations with would-be future members should move to the top of its priorities.

In that category must be included not only the Efta members but also the new democracies of central Europe: Czechoslovakia, Hungary and Poland. But in their case negotiations on full membership, inevitably long and complex, *should not be the first step. It* is more urgent to define and implement a form of association between them and the EC enabling them to get their economies into a shape in which they could contemplate assuming the obligations of full membership in the future.

Terms of entry

Such an association should provide for negotiations on full membership to begin when a certain phase in the elimination of tariffs and quotas on trade, including trade in agricultural products, by both sides had been reached. Given their very low wage-levels, the ex-socialist countries should not need protection from west European competition, provided they peg their currencies to the DM, or the ecu, at a low enough level, and provided western Europe gives them financial help both in the form *of debt relief, and for the building of an economic infrastruc*ture as well as education in the basic techniques and institutions of the market. Free movement of labour could not be part of the association agreement, since that would make it impossible for the central Europeans to maintain their wage differentials (vide east Germany): an important reason why they should wait some time before full membership.

None of this is incompatible with a further "deepening" of the EC, unless that deepening takes a military form which might make membership incompatible with the neutrality of some Efta members, or with the delicate position *vis-à-vis* Russia of states which at present still belong to the Warsaw Pact. That aspect of deepening is better left, at least for the time being, to the Western European Union. But there is no indication that either Efta or central European states will be unwilling to accept economic and monetary union, provided they are given time to prepare for it. As for political union, they are unlikely to object to reforms that make the EC more democratic; and those that make its decision-*making processes swifter* and more efficient will be all the more necessary to avoid stalemate in a larger Community.

Workings of the oil market

THE SPECTACULAR fluctuations in oil prices over the last few weeks have highlighted how much oil markets have changed since previous crises in the Gulf. During the Iranian revolution the spot market accounted for only a small portion of traded oil, with the balance sold on long-term contracts at fixed prices. Today nearly all oil trades at spot market prices and the liquidity and transparency of markets has been boosted by active trading in oil futures in New York and London.

Yet if the markets are more liquid and transparent, they are *also extremely volatile.* This has provoked criticism from a broad range of political leaders, with some calling for an overhaul of the world's oil trading system and co-operation between oil producers and consumers to stabilise prices.

These calls ought to be ignored. The international flow of oil was severely disrupted in August, when Iraqi and Kuwaiti oil exports were cut off. There should be little surprise that prices rose much higher than appeared warranted by loss of about 8 per cent of supplies (most of which has now been replaced). The dislocation of normal trade patterns, combined with well-founded fears of further disruption, could only have been expected to produce a *substantial* rise in prices.

When dislocations were mostly ironed out, and oil refiners balked at high prices, prices came tumbling down, though they have bounced up again on renewed war fears. The market is working. Oil is being delivered where needed, at least for those with the money to pay for it. Until governments can guarantee a stable flow of oil, they should not complain about price volatility.

Controls not the answer

This is not to say that oil markets are perfect. Yet the answer is not to slap on controls but further to improve liquidity, transparency, and efficiency. Saudi Arabia might help by establishing a *stream* of crude oil that could serve as a trading benchmark. This would increase the amount of freely traded oil in the market. It could also reduce the rigidities and distortions that occur when *Middle Eastern* exports are pegged to benchmark crudes of dissimilar quality, such as North Sea Brent.

Market disciplines

Calls for co-operation between the Organisation of Petroleum Exporting Countries and the International Energy Agency are a sign that the political intensity of the conflict between oil consumers and producers has diminished. Yet it is difficult to see what the two organisations would talk about, beyond perhaps an exchange of technical informa*tion. Calls by Opec ministers* for a "just" price for oil show that despite statements to the contrary they have not yet accepted that the discipline of the market will prevail in the end – whatever the "justice".

What governments and international institutions can do is help establish the legal frameworks that will facilitate cross-border trade and investment. The international oil industry has plenty of capital. Relatively forward-looking countries like Venezuela are discovering they have no difficulty attracting it, provided sensible commercial terms can be offered.

Before the industrialised countries start dreaming about a new world energy order, they ought first to examine whether their own institutions are adequate to cope with energy emergencies. The record shows that strategic oil stocks are not big enough to allow politicians to feel comfortable about using them, even when prices rise to an economically damaging level of $40 a barrel. Yet before deciding to increase stocks a better articulated strategy for their use is needed.

Emergency systems are organised to respond to the antiquated *notion of a physical* shortage, which cannot occur in a free market. The damage is caused, instead, by high prices. It is an illusion to believe that the laborious process of counting up barrels of oil around the globe, and matching them with projected *physical demand*, will produce a definitive assessment of world energy markets. Prices can be erratic but they remain the best pointer to the adequacy of supplies.

BANK $ million	S&P rating long-term debt	3rd Q 1989 net income	4th Q 1989 net income	1st Q 1990 net income	2nd Q 1990 net income	3rd Q 1990 net income	Total non-performing commercial loans	As % of total loans	Non-performing real estate loans	As % of total real estate loans
Citicorp	AA-	358.0	(784.0)	231.0	248.0	221.0	4613	3.0	2200	16.7*
Chase Manhattan	BBB+	(1109.0)	175.0	44.0	52.0	(623.0)	2275	3.0	1500	15.8*
Chemical Bank	BBB+	(824.6)	95.9	151.7	113.1	(43.7)	1702	3.9	973	14.3
Manufacturers Hanover	BBB+	(789.0)	62.0	96.0	33.0	77.0	985	2.4	261	8.7

Source: Annual Reports, Research: Rivka Nachoma

*based on real estate loans as of June 30 1990

US banks feel the squeeze

Alan Friedman says the patchwork of problems facing American banks points to an eventual series of mergers

The coming shake-out among the US commercial banks is likely to change the face of the industry forever. At a minimum the money centre banks – *the largest banks in big US financial* centres – are in for a period of sustained retrenchment. Top US bankers go beyond this, however, and say that an unhappy confluence of events – *recession, overcapacity in the system,* falling revenues, rising overheads and higher loan losses due to the real estate crisis – points toward an eventual series of mergers, either between commercial banks or between banks and non-banking financial services companies.

And while big American banks are not about to fail, a number of smaller institutions – perhaps as many as 200 of the 12,700 commercial institutions – will probably go bankrupt this year. Already in the first six months of 1990, 103 small US banks have failed, costing the Federal Deposit Insurance Corporation some $1.8bn.

The banks' inherent problems are worsened by an increasingly gloomy economic outlook. Between June and September corporate earnings worsened generally in the manufacturing and service sectors of the American economy. Third-quarter banking figures – with few exceptions such as JP Morgan – showed mounting loan losses, bad debt provisions, falling profits and net losses.

And bankers are increasingly defensive about public criticism from regulators in Washington, analysts on Wall Street, credit rating agencies and investors. Last week Mr Robert Clarke, the Comptroller of the Currency, launched a stinging attack on US bankers, telling the annual meeting of the American Bankers Association (ABA) that it was time to return *to basics and stop cutting corners.*

Bankers were especially angered when Mr Clarke accused them of placing too many eggs in one basket by allowing real estate lending to grow so much in recent years. The bankers were even more upset when the top regulator warned them they are losing credibility with Wall Street, Washington and the general public.

Wall Street has already voted with its feet: the market capitalisation of some of America's biggest banks has tumbled by between 50 and 70 per cent over the past 12 months. And Washington politicians, who have spent months in the quicksand of the savings and loan scandal and the budget crisis, find banks an easy target.

The most striking aspect of present concerns is the way they centre on the big New York banks, which until the 1980s exercised unchallenged dominance over the industry. Now, banks such as Chase and Chemical have slashed their dividends by more than 50 per cent and most leading East *Coast banks have either unveiled* radical restructuring plans and large-scale lay-offs or already had begun the process. The lay-offs range from 2,000 to 5,000 workers per institution *and are generally on the order of 10 to* 15 per cent of total staffs.

Four of the most influential banks in the north-east, Citicorp, Chase Manhattan, Chemical Bank and Manufacturers Hanover Trust, say that economic conditions on the east coast are continuing to deteriorate, and with them the quality of the banks' loan portfolios.

Six months ago there were clouds over US banking as analysts forecast a severe impact on earnings in the short-term stemming from real estate loan losses. Bankers now acknowledge they had no idea of how rapidly the situation would deteriorate. Mr Walter Shipley, chairman of Chemical Bank, the seventh-biggest US bank, which had its credit rating downgraded last week for the second time in 12 months, says the onset of the real estate crisis was "very sudden".

Mr Thomas Labrecque, the newly-named chairman of Chase Manhattan – the second-biggest US bank, which has been forced to cut its workforce and dividend pay-out because of runaway operating costs and a leap in loan losses – says the real estate crisis "got dramatically worse this summer." In common with other bankers, he says he cannot see the *north-eastern regional market* improving "at least for the next three or four years".

Since June recession has spread down the east coast. The convergence *of bank problems* has meanwhile resulted in a credit squeeze. Many banks, worried by the escalation of their non-performing loans, are unwilling to lend a penny more to the very clients who are most desperate for liquidity. Mr Labrecque says that "with everybody being bashed by regulators, Standard & Poor's, Moody's and analysts, nobody is going to increase net lending".

The credit squeeze is partly the result of tough inspections by regulators such as the Office of the Comp*troller of the Currency (OCC).* The bank examiners, spurred by the crisis at the Bank of New England last spring, forced some banks to classify more loans as non-performing. Chemical Bank's Mr Shipley says that in hindsight the regulators' concerns about real estate portfolios have been *vindicated, but he also says "this is a* confidence-based business and when confidence starts to ebb you get a liquidity crunch, not just by banks but also by other real estate financiers such as insurance companies".

The problems at big New York banks includes the downgrading of ratings by credit rating agencies such as Moody's and Standard & Poor's. This, in turn, has led to a jump in funding costs at most banks. Last May, when Moody's downgraded $31bn of Citicorp's senior debt, the bank insisted it was unworried about any increase in its cost of funding. In overall cost terms Citicorp was right, but in the past week the bank has faced the embarrassing spectacle of having to pay a 12.5 per cent dividend on some preferred stock instruments, a rate double the level paid by JP Morgan, the most conservative and best-managed of the big New York banks. Citicorp argues that the increased rate is only for small sums, *but it is a troubling sign.*

The market value of some of America's biggest banks has tumbled by between 50 and 70 per cent in 12 months

In this climate New York's top bankers are in a rum state of mind. No senior banker will admit to having started actual merger talks, but all say the option must now be considered. Mr John McGillicuddy, chairman of Manufacturers Hanover Trust, the eighth-biggest US bank, says that mergers must be seen as a possibility and notes that "anyone in this city who hasn't done the number crunching on mergers is asleep".

A veteran of US banking, Mr McGillicuddy admits that "in many ways the problems we face today are broader-based than in the past". He says "there is no question that problems in real estate are continuing to grow" *and predicts that non-performing* loans at his bank will increase over the next six months. Mr McGillicuddy's description of New York points to the coming shake-out in banking. "This town," he says, "feels the way the Rust Belt did in an earlier period."

At Chase Manhattan, Mr Labrecque *is trying to clean up an array of prob*lems stemming from both the national economy and from what other top bankers describe as a decade of slack management.

Mr Labrecque has presided over the sacking of 5,000 Chase employees and the taking of $1bn in third-quarter special charges for bad debts and restructuring that caused a $623m loss. One issue under consideration is the prospect of merging all or part of Chase Manhattan, something that would have been unthinkable for a bank that used to be thought of as one of the bluest of the blue chips.

On the subject of mergers Mr Labrecque says he has "a whole team of eight people doing nothing but working on strategy". He confirms that he would be willing to consider merging or joint venturing Chase divisions such as retail banking or corporate finance with other US banks, with *foreign banks*, with investment banks or with financial services companies. He cites Prudential Bache, American Express and Merrill Lynch as examples. The Chase chief says the list is hypothetical and that no negotiations are under way because "we've taken our reserves and cut back and now we have to get earnings right first. Then we have to look at how you bust out in each business area and which are the best combinations."

The rationale for bank mergers in *the same local markets is that this is* a way for banks to build capital rapidly through retained earnings by pushing through large-scale cuts in combined office overheads and branch networks. At present, however, the big New York banks appear to be hoping that individual retrenchment will do the job. Mr Shipley of Chemical Bank argues that consolidation in the US banking industry "is appropriate and inevitable" but questions whether mergers are the best approach since they might bring together banks with similar clients and similar problems.

Mr Thomas Jones, the Welsh-born senior executive in charge of finance at Citicorp, says his bank is not involved in merger discussions, but *agrees that "the whole issue of confi*dence in bank stocks forces people to focus more closely on eliminating overcapacity by mergers".

The problem is that talking about mergers is easier than pursuing them, especially at a time when the banks are still scrambling to assess the damage caused by real estate and recession. The immediate priority would appear to be making provisions for non-performing loans and strengthening capital. But as some bankers admit, asset disposals that could raise funds to boost capital have been postponed because of lack of buyers and depressed prices.

For many people, the plight of the *big New York banks* is summed up by the dilemma facing Citicorp, the biggest of them all. Citicorp is not alone with its problems, but the bank has become a target for pot shots by many *of its competitors.* Citicorp put an additional $900m of non-performing real estate loans on its books between July and September. This boosted non-performing loans in this category *to $2.2bn out of a loan book of $13bn,* or 16.9 per cent of the total portfolio.

From his corner office in the second floor executive suite at Citicorp's Park Avenue headquarters Mr Jones muses that "the world is somewhat irrational right now".

"Which of these two statements is true?" he asks, with a grin. "Would you believe that we are the least exposed bank in real estate bar two others in the country? Or would you believe we are the most heavily capitalised bank in the nation?" Mr Jones *then answers his own question* by saying that it depends on whether one looks at matters in relative or absolute terms. In *absolute* terms Citicorp is the most heavily exposed, but in *relative* terms – by comparing real estate loans to total assets – it is far less exposed. And in absolute terms Citicorp has the most capital in the US, but in relative terms – using the 3.8 per cent capital-to-assets ratio – it is in poor shape.

Citicorp's game of statistics is not mere sophistry; it is a sign of the *times in which bankers are grasping* for ways to defend themselves against charges of irresponsibility, incompetence and red ink.

Manufacturers Hanover's Mr McGillicuddy speaks for most of the bankers when he defines the present state of banking as "a crunch" and says "you can't grow your way out of it, you have to dig your way out of it". This troubled state of affairs may not be life-threatening, but it is forcing a rapid re-ordering of strategic priorities. And that, according to Mr McGillicuddy, means "taking pain in terms of the P & L account and dealing with a world where credit losses are high and at the same time revenues are under pressure".

What is becoming increasingly clear is that cutting costs to catch up with declining revenues and asset quality may not be enough. Top bankers recognise their problems, but if east coast institutions are to make a comeback in the 1990s, more than simple recognition will be needed.

OBSERVER

Enforcer hit listed

■ The race is on to guess the first main casualty of President Bush's budget fiasco. An early *favourite is John Sununu,* White House chief of staff.

Known as "The Enforcer" and "The Abominable No Man", Sununu brings an abrasive, *bullying style* to the job which has earned him plenty of enemies in the administration and Congress.

Reports that Sununu's hold on his job may be tenuous most likely stem from the ranks of congressional Republicans standing for re-election next month. Many are still livid about Bush's decision to abandon his "no new taxes" pledge in search of a budget-cutting deal with the Democratic party at the expense of Republican interests. Sununu is supposed to be the designated fall-guy.

The president may have other ideas. Though he is said to be shaken by his slump in the opinion polls, aides say he retains confidence in his chief of staff. After all, Sununu was only carrying out the president's demands when spending five months in search of a comprehensive budget agreement in the national interest.

In the first 20 months of his presidency, Bush's skill was to move to the centre, while *maintaining support among* conservatives in his own party. This support has crumbled.

If the Republicans fare poorly in next month's election results, someone will have to pay the price. If not Sununu, then possibly Richard Darman, budget director.

At the very least, expect a Cabinet shake-up.

Touch down

■ Delegates on a recent trade mission to the Soviet Union, arranged by the Scottish Development Agency, were advised to take cigarettes, whisky and soaps to ease their *passage with taxis, hotels etc,* as "gifts" were accepted in the newly relaxed economic climate.

To their annoyance, as they were approaching their intended destination, Tumen airport, the pilot announced they could not land there because of the low cloud and would have to turn back. But the advice they had been given proved useful.

After a little negotiation, the landing was made at a cost of 200 Marlboro and a bottle of Johnny Walker Red Label.

Loners' league

■ Whether Margaret Thatcher's fellow eminences in the European Community were surprised by her lone obduracy on economic and monetary union, it would not have been predicted by students of differences in national cultures.

Take for instance Fons Trompenaars and David Wheatley, mentioned by Observer yesterday, whose studies of 27 countries cover 10 of the 12 EC members (the exceptions being Luxembourg and Portugal). The findings *suggest that, of the 10, the* British rank only fourth when it comes to standing alone as against going along with the crowd.

The lowest ranking are the the French with a mere 45 per cent of their natives favouring individualism over collectivism. Greeks split a straight 50/50.

There is a tie at 55 per cent between Belgians, Irish, and former West Germans who will have been pulled towards collectivism by unification: their eastern counterparts score the same as the French. The Italians are only one point higher at 56.

"Do you suppose she'll recall our ambassador from Cloud Cuckoo Land?"

Then come the Brits with 67 per cent individualists, Mrs Thatcher obviously being one of them. But they are outdone by the Dutch with 70, the Spanish a point higher, and the top-ranked Danes with 72.

Lords' day

■ *According to the Post Office,* Sunday collections are now being made from about one in five of its 105,000 letter boxes, but judging from comments made in the Lords, tracking down the relevant 20 per cent is no easy task.

Lord Boyd-Carpenter, the former Conservative Cabinet minister, has been unable to find one close to his home at Crux Easton, near Highclere, Hants. He feels that rural areas are being discriminated against to such an extent that the justification for the Post Office's letter monopoly should be subjected to even closer scrutiny.

Boyd-Carpenter's experience has not been shared by Lord Tordoff, the Liberal Democrat chief whip. He has not only located the relevant box but spends most of the weekend dealing with correspondence so that he can stuff it full just *in case the Sunday collection* has been restored on a "use it or lose it" basis.

Pressed out

■ One of the casualties of last week's collapse of Polly Peck International has been the FT's former Ankara correspondent, Metin Münir. He lost his job as editor of Güneş, Asil Nadir's quality daily newspaper, on the evening the group was placed in administration.

Münir, who had spent the last 10 months building up the operation, says he was bitterly disappointed to leave the paper. "We were just making a breakthrough when this thing happened. Had we had a couple of years, Güneş would have been a solid newspaper on European lines."

He now retires, at least temporarily, to his home amid the orange groves below Bellapais Abbey *on his native* northern Cyprus. Perhaps while there he will mull over the ironies of a career working in the Turkish press.

Münir's immediate superior in the Nadir empire was a former Turkish police boss who is widely believed to have beenbehind *periodic moves* to get him expelled from the country or placed on trial in his days as an FT stringer in the early 1980s when Turkey was under military rule.

Last week the two men met again under distinctly uncordial circumstances as Münir offered his resignation.

Furthermore

■ A self-help group to be formed in the US is for people who have difficulty in stopping talking. Its name?

"And On And On Anon . . ."

LETTERS

The ERM, Emu and sustaining fiscal sobriety

From Mr Donald Franklin.

Sir, With due respect to Samuel Brittan ("Why ERM needs monetary union," October 25), the difference between "1992 plus EMS" and a single currency is not merely a matter of degree. There is a huge distinction between a commitment on behalf of member states to avoid currency fluctuations – or even to maintain fixed exchange rates – on the one hand, and an irrevocable fixing of exchange rates on the other. For an exchange-rate fixing to be irrevocable in anything but name, there must be a ceding by central banks of their right to issue currency in favour of a European central bank. It is this step which is the defining difference between the two systems, and its implications are great.

If central banks continue to set monetary policy independently, however great their rhetorical commitment to fixed exchange rates, markets will continue to scrutinise policy and competitiveness to determine whether exchange-rate parities are sustainable. Reckless policies will thus always be subject to market sanction. For this reason, providing that at least one major currency (it does not have to be the D-Mark) is prudently managed, and that devaluation is rendered politically embarrassing by ERM membership, the independence or otherwise of the different central banks is of secondary importance: policy is ultimately set by markets rather than by central bankers.

But once currency issuance is centralised, the only sanction against the European central bank becomes the exchange rate of the new Euro-currency against the dollar and the yen. Because devaluation against these currencies would not be politically embarrassing (note the equanimity with which the dollar's recent fall has been countenanced by US markets and commentators), the accountability and independence of the new European central bank would be critical. Furthermore, with such a system, market constraints on member countries' fiscal policies are dramatically reduced: profligate member governments will no longer be challenged by currency crises, only by a modest – and politically almost invisible – premium on their debt in the new single-currency European bond market. So, as the Delors Committee correctly prescribed, binding constraints on national budgets are a corollary to irrevocably fixed exchange rates, if fiscal sobriety is to be sustained.

Thus the irrevocable fixing of exchange rates, or currency union, necessarily involves a dramatic centralisation of decision-making. Even if the desirability of a de facto fixed exchange-rate system (an ERM with very narrow bands) is granted, the extra leap to irrevocability should only be undertaken either if political union is thought a desirable end in itself, or if it is judged that a supranational tier of economic policy-making would better guarantee price stability than would the markets' critique of diverse governments' attempts to preserve the value of their currencies. The choice is not between the sovereignty of national governments and that of a European government, but rather the familiar choice between the sovereignty of bureaucrats and that of the markets.

Donald Franklin,
Chief Economist,
Schroders,
36 Old Jewry, EC2

Manufacturing

From Mr E.N. Addison.

Sir, In common with other sectors of UK manufacturing industry we welcome the decision by the chancellor to enter the ERM. The decision to tie the pound more closely to our competitors is, of course, welcome as is the reduction of interest rates by one point. However, as the clearing banks originally argued, just as the rise from 14 to 15 per cent was largely academic so is the reduction which will have little impact on the consumer and more importantly on the investment intentions of UK manufacturers. This obviously has serious consequences for our members in the machine tool industry who supply the capital equipment needed for any growth in manufacturing which should occur.

In welcoming the entry into the ERM we are sure that the rate of DM 2.95 will not help UK competitiveness or aid the balance of payments problem. As soon as possible we would urge the chancellor to lower interest rates further to bring the pound down to a more competitive level of DM 2.77. Continuing high interest and exchange rates in Spain, for example, have led to high unemployment. Given the government's positive record on employment we are sure it will wish to avoid the embarrassment of unemployment rising towards 3m again in advance of a general election.

We would suggest therefore that a policy of excessively high interest rates has long ceased to be of use to the government as the sole instrument of policy despite the need to keep a check on wage settlements. This is especially so given the clear downward pressure on the money supply and the slump in retail sales. We fully support the commitment to fight inflation and would suggest that a further modest reduction in interest rates would not weaken this.

Given the government's stated intention to encourage the growth of manufacturing industry, there is certainly a better way of curtailing excesses of consumer spending without containing growth in other areas which are vital to the success of the economy. We would recommend adoption of at least one of the following:

- A two-tier value-added taxation system, as in France for example.
- Changes to the system of Corporation Tax to increase retained earnings and thus provide extra funds for investment, training and research and development.
- Tighter controls on the availability of consumer credit through the use of differential interest rates.

We are equally concerned at the adverse effects of short-termism in the City which makes it difficult to obtain finance for long-term investment in manufacturing. We would urge the chancellor to take all possible steps to remove the casino effect from the Stock Exchange by making short-term profiteering more difficult to achieve.

Despite ERM entry and the move towards lower interest rates we must stress that there is a distinct possibility that it may be a case of too little too late. These fears are not "squeals" or the product of "misery mongers". In the face of continued increases in investment by overseas manufacturing industry we are simply being realistic.

It would appear that UK manufacturing is now having to pay for the excesses of the consumer at precisely the time when it should be expanding.

E.N. Addison,
president,
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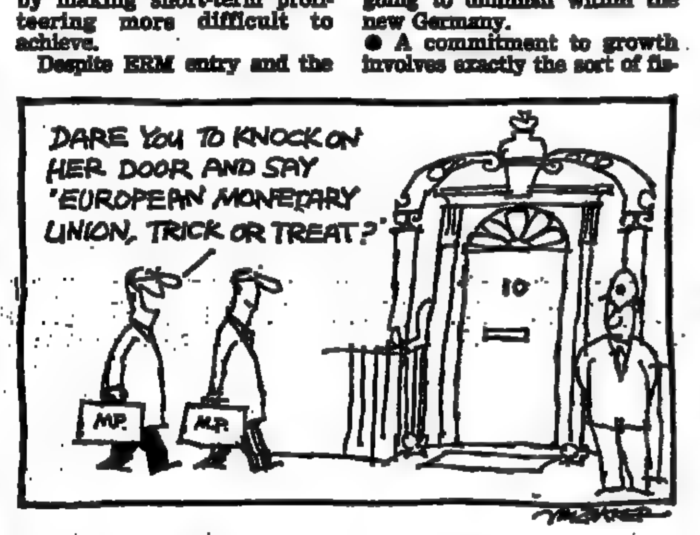

Sovereignty

From Mr M.H.T. Jones.

Sir, The argument over Emu is about power. The prime minister endlessly denounces any derogation from parliamentary sovereignty and accountability. In a similar vein Nicholas Ridley objected to handing over the control of monetary policy to bankers.

Westminster politicians need to see themselves as a growing portion of the thinking public sees them. For "parliamentary sovereignty and accountability" they read the power of the government of the day which between elections pays little regard to public opinion and appears as a species of dictatorship with, given the prime minister's power to hire and fire ministers and widespread patronage, a strong personal element.

Above all they will welcome passing control of monetary policy to bankers simply because politicians have shown themselves totally incapable of doing the job. The present government is the last in a long line of failures since 1945 but more especially since we abandoned the Bretton Woods arrangements in 1971. But the latest failure is the more poignant for the strong pitch made in the last three elections that this administration had found the answer!

Britain is not alone in Europe in being ill-served by its politicians in this vital area. But the politicians in the other nations which have suffered chronic inflation for decades have twigged that the problem is beyond their powers to cure. That is why France, Italy and Spain, in particular, willingly joined the ERM and are enthusiastic to progress towards monetary union. For them it is the key to the financial stability that previously eluded them.

So why do our political leaders hold back? Is it perhaps because, given our unwritten constitution which prescribes no effective checks on the government of the day and given the first-past-the-post electoral system which can deliver thumping majorities on a minority of votes cast, political power is a much greater prize than elsewhere? Is it a resistance to any weakening of what is seen as a lever to secure the renewal of that power? The nation should not have to suffer from what is really a corruption of the judgment of politicians, both left and right.

M.H.T. Jones,
Oak House,
Newgatestreet Road,
Goffs Oak,
Waltham Cross, Hertfordshire

Regional policy

From Mr Paul Boateng MP.

Sir, Samuel Brittan suggests that "Germany would refuse to join" a version of Emu which is "committed to regional policies and so-called 'growth', while being completely subordinated to governments". He seems to have forgotten that:

- Regional transfers occur on a larger scale within West Germany than within virtually any other federal or unitary state, and are certainly not going to diminish within the new Germany.
- A commitment to growth involves exactly the sort of fiscal co-ordination which is necessary for balanced expansion within an interdependent economy (whether national or continental) – the alternative is unbalanced stagnation.
- The constitution of the Bundesbank requires it to support the economic policy of the federal government. Effective organisation of monetary policy on a European scale requires a proper balance of responsibility and accountability. Characterising the issue as a stark choice between "independence" and "complete subordination" is to use emotive expressions which do not assist the search for that proper balance.

The question is not whether the dialogue to achieve that balance will take place, France will certainly ensure that it does, but whether Britain's interest can be adequately served by a government that has hitherto shown itself consistently resistant to constructive dialogue on Europe at all.

Paul Boateng,
Opposition spokesperson on Treasury affairs,
House of Commons,
Westminster, SW1

Samuel Brittan writes: The passage in my article with which Mr Boateng takes issue was not concerned with regional policy as such, but with the constitution of the proposed European central bank, on which the position of Germany is as stated.

Commitment

From Mr David G. Mayes.

Sir, Samuel Brittan suggests that it might be possible to avoid ruffling too many feathers in the debate over Emu if the endpoint of Stage 2 in the process were to involve permanently fixed exchange rates and independent central banks rather than a Eurofed and a single currency. This would avoid the worst of the decisions about sovereignty and yet capture most of the economic benefits.

This is a nice idea but I suggest that there are strong doubts about the proportion of the benefits which would be reaped. Many of the advantages involve a credible commitment by the member states to the ultimate goal of Emu within a reasonably short time horizon. In the survey of firms undertaken by Ernst and Young for our book, A Strategy for the Ecu, it was clear that few would take any substantial steps towards altering their accounting systems and other major facets of their behaviour towards the use of a single currency unless the adoption of that goal was very firmly expressed by governments. Putting off making that commitment will leave a lot of firms in the UK with the belief that Emu will not be achieved and, given the forecasts currently available, that a system of fixed exchange rates involving sterling is not likely to be particularly long-lived.

Focusing on the endpoint of Stage 2 rather than on Stage 3 therefore makes uncertain what Stage 2 is a transition to. It could just as much be a return to floating rates or a two-speed Europe as full Emu. That uncertainty most of our partners do not want. With that uncertainty it is far less likely that transactions costs and precautionary measures against exchange rate variation will be substantially reduced. The attractiveness of Mr Brittan's notion to the UK government is clear but not unfortunately its appeal to others.

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Entry level

From Mr Ray Barrell.

Sir, I was pleased to see Professor Wren-Lewis's article ("The danger of a high entry level," October 19) on the optimal rate of entry to the ERM. In a paper jointly produced at this institute in February we undertook some calculations to evaluate the optimal rate. All our calculations suggested a rate well below DM 2.95. Professor Wren-Lewis gave four explanations of why DM 2.95 might be judged correct, all of them pessimistic. The world has moved on since February, and other, more positive developments have affected the environment in which ERM entry took place.

Developments in Europe have changed the prospects for the pound/D-Mark rate. The budgetary costs of German union look to be around DM 100bn per annum. We could not even guess at the scale of these costs in February. They are likely to raise German imports, increase the German price level and reduce, if not eliminate, the current account surplus. All these things make UK entry at a higher rate easier to accomplish.

The optimal level for entry depends upon all exchange rates in the world. The UK is still an oil producer, and if the oil price is now expected to be higher in future than we anticipated in February, then we would expect sterling to appreciate somewhat in order to generate the equilibrium current account that is required for the UK's pattern of saving and investment.

Finally in our analysis in February we assumed that currencies in the ERM would be irrevocably fixed from 1995. The ERM as currently constituted allows downward realignments to take place, and this possibility is much to the UK's advantage. Indeed the current size of the interest differential against Germany suggests that the markets are anticipating continued depreciation of the pound against the D-Mark. Recent developments in Europe, and especially Germany have made the formation of Emu less likely by that date. This should give the UK several more years of possible downward realignments. This allows us both to spread the pain of entry and also gives us the choice of a higher entry rate.

An entry rate of DM 2.95 can, of course, be maintained but it could involve considerable costs in terms of lost output and higher unemployment. Changes in the world environment when combined with increased flexibility within the ERM may have recently reduced the potential costs of such a high entry rate.

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The safety net of child benefit must be retained and increased

From Lord Northbourne.

Sir, In the editorial comment ("Family policy in disarray," October 24) you compare universal child benefit with the government's preferred policy of targeting. Targeting through family credits is intended to channel benefit only to the families in greatest need. Targeting might be a good solution if so much of the target were not being missed.

Many mothers fail to claim family credit. Some are ashamed of being unable to support their family. For others the complexity of the regulations or the fear of a rebuff are disincentives.

Government figures from a special survey carried out from April to December 1988 showed only 50 per cent uptake by caseload of those eligible for family credits. Circumstantial evidence suggests that current figures are only a little better. What is happening to the children in the other 50 per cent?

Until a much more effective method of targeting is found, child benefit (with an uptake of almost 100 per cent) must be retained and increased in line with inflation to act as a safety net for children in need.

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FOREIGN AFFAIRS

Something stirring in Japan

Jurek Martin considers the full and frank public debate about Tokyo's role in world affairs

There's a mighty judgment coming . . . but I may be wrong.
Leonard Cohen.

It has been a privilege to spend the last two weeks in Washington and Tokyo, watching politics in the raw in the two most important capitals of the world outside Europe. The budgetary turmoils of the former have grabbed the most attention but it is *possible* – to go any further would be risky – that what has been happening on the other side of the Pacific may count for as much in the long term.

It is indisputable that Japan is experiencing a rather unique phenomenon, a genuine public debate, the existence of which can only be welcomed. Though appearances may yet again deceive, there is a current sense of genuine national engagement in an important issue, which is nothing less than the country's appropriate role in world affairs.

You cannot avoid it in Tokyo. The deliberations of the Diet are on every taxi radio, in every organ of the mass media; opinions permeate every conversation, with policymakers, academics, businessmen and with housewives; for the first time in a generation, students have taken to the streets to demonstrate.

The specific case-at-hand is the government's proposed United Nations peacekeeping law, which would allow Japan to provide more than mere money to support the international effort in the Gulf. It looks as though the government will lose this one, but, if so, it will be for good, and right, reasons; and, from the experience, there just might emerge a new awareness of what Japan ought to be doing in the world.

The present bottom line of the debate is not inscrutable. It is whether members of the Japanese military, however constrained, retrained or unarmed, should be permitted to serve outside the nation's borders, even under the UN flag.

Majority opinion, as measured by the polls and confirmed in private conversations, is that to do so would be wrong. Too many arguments are adduced to allow for a concise summary; some are severely practical, concerning the suitability of Japanese forces in peacekeeping operations and the fact that in the Gulf it is the US, not the UN, which is in charge; others centre on principle, the most important of which is the danger of loosening the tight civilian chains that have confined the Japanese armed forces to an essentially defensive role since the second world war.

This last reservation might seem odd, because the Japanese military, a big budget notwithstanding, is very unthreatening. Nobody has been able to detect a young Turk movement among officers anxious to break free and the stories of dark compacts between the military and right-wing elements in politics and industry do not stand up.

A better, and encouraging, explanation of this visceral national feeling is that it demonstrates the extent to which the constitutional renunciation of the use of external force has taken hold in Japan. A young stockbroker, a woman, put it as well, and as universally, as any last week: "My generation

The bottom line is whether members of the military should serve outside the nation's borders, even under the UN flag

hasn't been brought up to fight and I don't know what we would want to fight for."

But, at the same time, this is matched by a growing recognition that it may not be enough for Japan merely to act as the world's banker. An excellent article last week in the Asahi Shimbun, normally a thorn in the government's flesh, highlighted the common ground, as well the differences, between most of the protagonists in the debate.

Among the former were the need to send people, as well as money and goods, overseas, to establish a long lasting peacekeeping law applicable to different circumstances around the world, and to obtain full understanding of Japan's position from its Asian neighbours.

The Gulf may be far away and dimly understood, and the non-financial and non-humanitarian contributions Japan might make hard to see. But Cambodia, where a large UN operation is in preparation, is closer to hand and for Japan not to be represented in the solution of an Asian dispute would be anomalous, to put it mildly.

But Japan is not conducting its deliberations in isolation. The crude external view, generally emanating from the US, is that the debate is yet another smokescreen, designed in the end to ensure that Japan continues to duck its international responsibilities. Congressman Lee Hamilton, the Democrat from Indiana, who does not personally share this assessment, points out that "the acid test (in Congress) is how many troops they have committed, not how much money they have given".

A more sophisticated version was expressed in a New York Times editorial last week which commanded the closest attention in Tokyo. Addressing both Germany and Japan, the newspaper argued it was "hard to imagine future collective security and peacekeeping operations without them", and that "genuine collective security has to mean that Tokyo and Bonn are prepared to fight as well as finance".

The newspaper recommended that "perhaps the least troublesome approach" would be constitutional changes permitting force deployments abroad only as part of collective operations. Senior American diplomats in Tokyo, while carefully saying that "it is for Japan to determine precisely how it can best contribute to this effort", none the less warn of adverse reactions if it does nothing.

In Japan itself, the poles of opinion inside the ruling Liberal Democratic party are expressed by two men, of different generations. In the one corner stands Mr Masaharu Gotoda, a former cabinet minister and sometime policeman, who personally stopped the then prime minister Yasuhiro Nakasone from sending Japanese minesweepers to the Gulf back in 1987. For Mr Gotoda, no flaming liberal or peacenik, memories matter.

Mr Gotoda is, in the opinion of the US embassy, "a thoughtful person and has to be taken seriously". But "it is distressing to have serious people question the efficacy of civilian control of the military 45 years after the war".

On the other side stands Mr Ichiro Ozawa, party secretary-general, 48 years old, a certain prime minister-to-be unless he messes things up badly. His unsentimental view of the world and of the need for Japan to stay close to the US seem largely unburdened by the weight of history.

The Americans like Mr Ozawa, find him helpful and "a fixer of problems" but do not want him to be seen as "our guy". Though he represents a new breed of politician, he is no revolutionary and "in any case, Japanese politics are not ripe for revolution".

Parenthetically, it must be said that all but irrelevant is the current prime minister, Toshiki Kaifu, bravely though he defends the government's position daily in the Diet. He is increasingly seen as a weak leader, in office only on sufferance while the power brokers decide on his successor and the manner of his going, which could well be defeat of the peacekeeping law. Held in almost equal contempt is the foreign ministry, on the grounds of mismanaging the presentation of the peacekeeping law.

On Sunday, there is a by-election in Japan, in Mr Kaifu's home district. It will be the first chance for a public voting opinion on the great debate. Defeat for the LDP could seal the fate of the peacekeeping bill in its present form; victory might not secure it.

The best result would, indeed, be the defeat of the present proposal. This would not do irrevocable damage to Japan's reputation, particularly if it is succeeded by a better one less hastily forged in the crucible of the Gulf crisis. For once, the people of Japan are being allowed to say some sensible things. Those who govern them ought to listen. But Leonard Cohen might be right.

FINANCIAL TIMES
Tuesday October 30 1990

COLLAPSE OF COALITION

Labour set to take over in Norway

By Karen Fossli in Oslo

NORWAY looked set for a Labour-led coalition government yesterday following the decision of the tiny Centre party to quit the centre-right administration led by Mr Jan Syse in a dispute over links with the European Community.

The Centre party, which holds the balance of power, said it would swing its support to Labour.

"I am more than disappointed," Mr Syse, the Conservative party leader, said on television last night. "I think this is extremely disappointing for the country. We will now come in as an opposition party."

Ms Anne Enger Lahnstein, the Centre party's parliamentary leader, said the party, which represents the farming lobby and bitterly opposes EC membership, could not back a Conservative government which wanted Norway to join the 12-nation bloc.

"We find that it is right in this situation that such a (Labour) government should be formed," she said on television.

Mrs Lahnstein declared her party's support for Labour because, she said, it had not officially stated that it intended to bring Norway into the EC.

At issue is the question of forming a free internal market in western Europe, the so-called "European economic area", between the European Free Trade Association, of which Norway is a member, and the EC. The Centre party insists that Norway refuse to abandon its so-called concessionary laws which impede foreign ownership of property, financial institutions and industrial enterprises in the country.

Other Efta members have blamed this insistence for stalling negotiations between the EC and Efta.

Labour, the biggest party in the Norwegian parliament with 63 of the 165 seats, can count on support from the Socialist Left party, with 17.

The Centre's 11 seats would ensure it of enough votes to block Mr Syse's hopes of cobbling together a new government.

He was only able to gather 74 votes – those of his former coalition partners, the Christian People's Party, the radical right-wing Progress party, and his own Conservatives.

Ms Lahnstein said her party would not formally join any Labour administration but would instead fight against any moves by Norway to try to join the EC.

Labour has not yet clarified its position on membership, which the country narrowly rejected in a bitterly divisive 1972 referendum. However, the party's leader, Mrs Gro Harlem Brundtland, a champion of environmental issues and twice prime minister, favours taking the country into the community.

When Sweden declared its intention to form closer ties with the EC and possibly seek membership, Mrs Brundtland said that even if Stockholm lodged a membership application first, Norway would join before Sweden.

The conservative coalition had been in government for just over a year following an indecisive general election.

Under Mr Syse's administration, Norway's oil-based economy has improved, and annual inflation is running at 3.9 per cent. But unemployment is high by Norwegian standards, at 4 per cent.

Mr Syse's government had prepared a budget for 1991 which, including revenues from oil and gas, would have had a deficit of NKr5.5bn (£480m), little changed from the 1990 deficit of NKr5.2bn.

Labour has proposed a budget which will increase the deficit by at least NKr2bn, in an attempt to create 30,000 jobs to aid the country's unemployed.

Norwegian premier Jan Syse

EC saves face with deal on stabilising emissions

By Lucy Kellaway in Brussels

EC governments last night reached a face saving agreement committing the Community as a whole to stabilising carbon dioxide emissions at the 1990 level by the year 2000, while allowing some individual member states to proceed at a less ambitious pace.

The compromise, which will enable the UK to stick to its own goal of stabilising emissions by the year 2005, avoids another damaging stalemate, which would see the UK at odds with the other 11.

The agreement will allow the EC to present a common front at the second world conference on climatic change, which starts this week in Geneva. The aim of the conference is to agree a global target on carbon emissions – which are regarded as the most important cause of global warming.

Mr Giorgio Ruffolo, the Italian environment minister and president of yesterday's council, said that the EC's offer to stabilise emissions by the year 2000 would be made at Geneva without conditions. "The EC will act as a leader on the greenhouse effect", he said.

Mr Carlo Ripa di Meana, the EC environment commissioner, said that if there had been no common EC position, the influence of the EC at world level would have been seriously dented.

The UK has limited itself through the demands of electricity privatisation and the need to keep electricity generating costs low, and by promises made in the recent environment white paper, to accept no target earlier than 2005, and yesterday morning it seemed set for a direct clash with its community partners.

Mr Chris Patten, environment secretary, yesterday defended the UK's target, saying it was "rock solid and based on what the country can afford". He attacked countries which had not produced credible schemes for reduction.

The deal was made possible by countries such as Germany, Denmark and the Netherlands, all of which expressed their willingness for faster reductions, taking on some of the burden on behalf of the others. This will allow the poorer countries of Spain, Portugal, Greece and Ireland to miss the 2000 deadline.

Member states did not work out precisely how the burden would be shared.

THE LEX COLUMN

All quiet on the Roman front

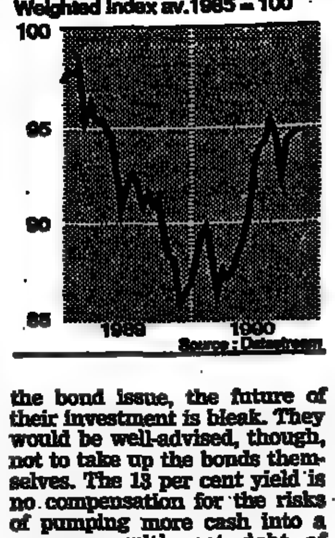
The road to European Monetary Union was always going to be rocky; few expected it to gain such a resemblance to hastily-laid crazy paving. The markets' reaction yesterday, however, was one of obvious indifference. Sterling hesitated, but stayed above DM2.96; the FT-SE 100 index barely moved, trading in a mere 11 point range. With oil prices steady and no sign in London hours of the largely discounted US interest rate easing yesterday, there was not much news to trade on.

It seems the sight of isolation and deep political splits in the government's policy over Emu will not be enough to distract traders from more immediate problems such as today's CBI industrial trends survey. The markets are probably right to concentrate on short-term fears of UK recession. Any connection between the Emu debate and the current fortunes of sterling in the ERM looks tenuous at best and misleading at worst.

Mrs Thatcher's objections to a single currency are well known, and the surprising setting at the weekend of 1994 as a deadline for the creation of a European central bank leaves that event too far away for it to have much impact today. When the Bundesbank's stipulations on convergence are put alongside Mrs Thatcher's views, the UK and Germany do not seem so far apart. One danger is that political uncertainty could yet undermine this outlook, but with the December EC summit to come, there is plenty of time for a compromise to be patched together. All that leaves sterling looking safe in its current trading range, thanks to its favourable interest rate differential.

Sterling

Weighted index av.1985 = 100



Brent Walker

Mr George Walker is, no doubt, a much misunderstood man, but he has himself to blame when he produces things like yesterday's document for his £103m bond issue. We read that four days ago, Brent Walker sold some pubs for £40m to an entity called TGP 380 Ltd. What TGP may be, we are not told. Of the five institutions underwriting the bond issue, three are reasonably well-known: Hambros, Svenska International and MMG Patricoff. The other two, Citimet and Tunis International Bank may be household names somewhere, but not in London.

The sad truth is that Brent Walker's shareholders have a pistol to their foreheads. If they do not vote in favour of the bond issue, the future of their investment is bleak. They would be well-advised, though, not to take up the bonds themselves. The 13 per cent yield is no compensation for the risks of pumping more cash into a company with net debt of £1.4bn-plus.

US computers

One of Wall Street's most striking features in 1990 has been the come-back of IBM's share-price, after five bleak years deeply out of favour with investors. Driven by its job-cutting programme, by the imminent roll-out of its new system/390 mainframe, and by the weak dollar, IBM's stock has risen by $12.50 to $106 since January 1, outperforming the S&P Composite Index by 31 per cent. But the phenomenon has a disturbing side to it. This is the sheer disparity between the IBM stock price trend and those of its smaller rivals, led by Digital Equipment and Hewlett Packard, whose shares have each plunged 40 per cent so far this year, thanks to price wars and slackening demand at home and abroad.

Bluntly, Wall Street is saying that Big Blue is recovering, and the life is being squeezed out of much of the rest of the US computer industry. Poor debt-laden Unisys, for example, now looks more and more like a lost cause. With debts of $3.6bn, and a market capitalisation of a tiny $960m, it reported a third-quarter after-tax loss of $357m only last week. Of course, creative destruction like this is what free markets are all about. But it would be a sad irony if large parts of wealth generating Silicon Valley now go the same way as the likes of Donald Trump.

Forward Trust

If a well run finance house like First National Finance only has a stock market value of £273m, it is hard to imagine why Midland Bank thought it could get upwards of £400m for Forward Trust. In a good year, FNFC can make pre-tax profits of well over £70m; in its best year to date, Forward Trust made only £60m and it will probably make less than £40m in the current year. If clearing bankers are still under the illusion that they can sell the more mature parts of their business at handsome premiums to book value, or 15 times earnings, then Midland's decision to scrap the sale of Forward Trust will come as something of a shock.

Indeed, the initial decision to put Forward Trust on the block was more of a surprise than yesterday's announcement. Midland's capital ratios seemed adequate enough, and even before the Gulf crisis began, the second half of 1990 did not seem the most sensible time to seek the best price for a business in a cyclical downturn. The market's obvious worry – reflected in a share price which has halved this year – is thatMidland will have to make even bigger provisions, and that this will expose a relatively comfortable capital position. Selling Forward Trust would have helped considerably by reducing the group's risk-weighted assets by almost 10 per cent. The only really positive interpretation that can be put on the Forward Trust saga is that Midland is not indulging in distress asset sales.

Mortgage lending

It will need another few percentage points off the mortgage rate before the financial markets' concern over the pace of mortgage lending resurfaces. Nevertheless, the latest quarterly figures from the building societies and the banks show that the level of lending for house purchase has certainly not collapsed. Gross lending in the third quarter of £15bn, was £1bn down on the comparable quarter last year, and £5bn down on the record third quarter of 1988. Even so an annual rate of gross lending of £60bn suggests that confidence in the residential property market has not been unduly harmed by record mortgage rates.

Of course, the authorities need to be concerned if the surprising resilience of mortgage lending merely disguises a rapid acceleration in rescheduling by distressed borrowers. Similarly, the latest figures give no clues to whether the estimated £20bn per annum of equity withdrawal has subsided.

Sir James Goldsmith

Solicitors acting for Sir James Goldsmith have objected to what was meant as a lighthearted reference to Sir James in the introductory paragraph of John Plender's article "Wanted: Public Goods" (Financial Times, October 22). According to the solicitors, the reference imputes "that with total insincerity he publicised political views to ingratiate himself with a party (the Labour party) whose views he in fact opposed and deceived both the former prime minister and that party's supporters". We can only say for our part that any such reading of the article would be wholly unintended. Sir James has never been one to mince words, and we would not want to suggest otherwise.

UN invites claims against Iraq for effects of Kuwait invasion

By Michael Littlejohns, UN Correspondent, in New York

The UN Security Council yesterday put further pressure on Iraq by approving a proposal first made by Mrs Margaret Thatcher, the British Prime Minister, that compensation should be paid to states for losses resulting from the invasion of Kuwait.

The resolution, adopted by 13 votes to none, with Cuba and Yemen abstaining, invited governments to begin preparing claims and gathering data about war crimes committed by Iraqi occupation forces.

Shortly after the council acted, high ranking officers from the United States, Soviet Union, Britain, France and China, which comprise its military staff committee, conferred on the Gulf crisis and the implementation of UN-ordered sanctions.

An official communique said it was an informal consultation but that the participants were "the most senior military officers ever present at such a meeting".

The Soviet Union has been seeking an enhancement of the role of the long-moribund military staff committee, the responsibilities of which include assisting the council in "plans for the application of armed force". Moscow has proposed that the committee meets at the level of the five members' chiefs of staff.

In an hour-long statement to the Security Council, Mr Abdul Amir al-Anbari, the Iraqi delegate, called its new resolution – the ninth of the crisis – an "escalation" and a "culminating point". He said advocates of military action would now say they had exhausted peace efforts <and that the war option is the only option left".

In fact, the resolution authorises further diplomatic initiatives by the UN secretary general, Mr Javier Peres de Cuellar, whose talks with the Iraqis last August yielded no progress.

Sir David Hannay, British representative and Council president, said Britain supported the secretary general's use of his good offices.

In a second statement, the Iraqi delegate said Baghdad valued Mr Peres de Cuellar's role and looked forward to co-operating with him.

Referring to the peace mission at the weekend by the Soviet envoy Mr Yevgeny Primakov, Iraqi delegates said that the clearer and more concrete his ideas were, the more useful his efforts would be.

The addition of a new mandate for the secretary general was at the insistence of non-aligned members increasingly worried about the risk of war. They believe there should be greater stress on a negotiated settlement in spite of the failure of all such attempts so far.

Taking account of these concerns in the resolution helped preserve the large measure of unity that has marked UN actions since the crisis erupted.

The Council also demanded that Iraq stopped taking hostages and permit foreign nationals to leave. The Iraqis were called upon to end their plundering of Kuwait and permit food and water to reach the few foreign diplomatic missions still remaining there, including the British Embassy.

Thatcher to defend stance

Continued from Page 1

position, while other senior ministers acknowledged the concern that the Rome confrontation had set back hopes of a compromise.

Mrs Thatcher will be guaranteed vocal support from Tory MPs today as the government's supporters close ranks.

Several MPs yesterday echoed her irritation at what was seen as an attempt by Italy to pre-empt the decisions of the Intergovernmental Conferences in December.

Others expressed confidence that Mrs Thatcher's defence of the pound would strike a chord with voters.

Mr William Cash, the chairman of the Conservative backbench committee on Europe, said that attempts to persuade the government to surrender control over Britain's future had now been brought into the open.

Others, however, were less sanguine. Although there was sympathy with Mrs Thatcher's attempts to get the Community to focus on more practical issues – notably the current Gatt trade round – there was criticism of her style.

One senior minister said that her scathing attacks on other leaders had undermined the substance of the government's stance. He voiced concern that this would undercut hopes that Mr John Major, the chancellor of the exchequer, would be able to build support for his alternative plan for monetary integration based on a "hard Ecu".

There was acknowledgement from some Whitehall insiders that other EC leaders now appeared to be looking beyond Mrs Thatcher's hold on the government, following the continuing Labour Party lead in the opinion polls.

Mr Leon Brittan, now a European commissioner but previously a member of Mrs Thatcher's cabinet, lent support to that view with a suggestion that Britain might be allowed to defer a decision on monetary union for two or three years.

Savings and loans rescue agency considers use of funds loophole

By Peter Riddell, US editor, in Washington

THE US federal agency in charge of rescuing the savings and loans industry is considering whether to use a legal loophole to borrow extra funds in the face of Congress's failure to vote new money before it adjourned on Sunday.

The programme of seizing, closing and selling assets will still be disrupted even if the Resolution Trust Corporation (RTC), which is handling the rescue, takes advantage of a drafting error in last year's law which might, on some interpretations, allow it to raise an additional $18.8bn.

Together with an unused capacity to sell nearly $7bn in bonds, this borrowing might carry the operation into early next year, when Congress returns and can consider further funding.

However, an RTC spokesman has said: "Finding investors to bid on savings and loans is difficult enough. If there's an uncertainty about whether funds will be available to sell thrifts, it makes investors less willing to pay the up-front costs to put a bid together."

The Treasury has warned that the failure of Congress to authorise the additional funding, despite repeated requests, will result in substantially higher costs to taxpayers when operations are halted.

Mr William Seidman, RTC chairman, estimated last week that the cost of delay at $250m to $300m for a three-month hold-up and close to $1bn for a six-month delay. The money will eventually have to be found because of the deposit guarantee.

While the Senate approved $10bn in emergency funding, the proposal was blocked in the House by Congressman Frank Annunzio who is in political trouble in his Illinois district because of his savings and loans links.

There has also been running friction between the House Banking Committee and Mr Nicholas Brady, the Treasury secretary.

The whole rescue operation has also been very unpopular with voters.

US attacks plan to halt sea dumping

By John Hunt, Environment Correspondent, in London

A PROPOSAL for a worldwide ban on dumping of industrial waste at sea by 1995 was challenged yesterday by the US.

The proposal was made to the London Dumping Convention at the International Maritime Organisation by the Nordic nations – Denmark, Finland, Iceland, Norway and Sweden – which believe such a timetable could be met.

But the US argues that the date is premature because it is not known which countries are dumping industrial waste, such as chemicals and metals, or where it is occurring.

Britain supports the US on the issue, according to Greenpeace, the environmental group, although the official line of the British delegation under the Ministry of Agriculture is that it is undecided.

The US says that a total ban could cause difficulties for Third World countries and inhibit their industrial development but Greenpeace believes the US is opposing the ban because it wants to keep the option for waste from industrialised countries to be sent to the developing countries for disposal.

Britain has already agreed to phase out industrial dumping in the North Sea by 1992 or 1993 at the latest.

Mr Remi Parmentier, head of the Greenpeace group observing the meeting, said: "We are putting potential environmental bombs on the sea bed. It has to be stopped."

Iraqis 'considering deal on hostages'

Continued from Page 1

visit Saudi Arabia this week to ensure that the alliance maintains unity. Mr Gorbachev and President François Mitterrand of France yesterday both sought to maintain a public front of united opposition to Iraq by reiterating that there could be no concessions to Iraq – in a clear effort to avoid the impression Baghdad was succeeding in driving a wedge between its opponents.

"If Mr Hussein hopes to produce splits or cracks in the position of the five permanent members of the UN Security Council, he is making a mistake", Mr Gorbachev said.

On Sunday, the EC summit in Rome issued an uncompromising statement committing the 12 to a common policy of refusing to negotiate over hostages. The Soviet leader yesterday threw his weight behind an inter-Arab conference to resolve the Gulf crisis. Such a conference could be acceptable to Iraq, he suggested. He also indicated that the initative for calling a meeting to find a formula to force Iraq to withdraw from Kuwait might come from Saudi Arabia.

Speaking at the end of a two-day visit to France, the Soviet leader said Mr Primakov had suggested "the position of President Saddam Hussein is not the same as before". The Iraqi government, he believed, could at last "lend an ear" to United Nations pressure.

Neither Saudi Arabia nor any other Arab government was planning to call an inter-Arab conference, he said. But he maintained: "There are possibilities of progress and it is time to include the Arab factor." The Iraqi goverment, he thought, would be ready to accept the idea.

Mr Gorbachev, while calling for a political solution, implied time was running out: "We must act more rapidly, to prevent the situation running away from us. The best thing would be to have an inter-Arab meeting, some Arab mechanism... We could reach agreement more quickly that way."

WORLDWIDE WEATHER

		°C	°F
Ajaccio	[illegible]	21	70
Algiers	S	26	79
Amsterdam	F	11	52
Athens	F	21	70
Bahrain	–	–	–
Bangkok	F	32	90
Barcelona	[illegible]	26	79
Beirut	–	–	–
Belfast	C	7	45
Belgrade	S	19	66
Berlin	C	7	45
Biarritz	C	18	65
Bombay	S	32	91
Bordeaux	R	17	64
Boulogne	R	8	46
Brussels	S	10	50
Budapest	C	13	57
Buenos Aires	R	25	78
Cairo	S	32	91
Cape Town	C	19	66
Caracas	C	27	82
Casablanca	S	22	73
Chicago	S	-1	30
Cologne	F	8	46
Copenhagen	R	7	45
Corfu	F	20	68
Dallas	S	12	54
Dublin	S	10	50
Dubrovnik	C	17	63
Edinburgh	F	7	45
Faro	C	18	65
Florence	R	16	61
Frankfurt	F	8	46
Geneva	C	8	46
Gibraltar	F	21	70
Glasgow	F	8	46
Helsinki	F	5	41
Hong Kong	F	27	81
Innsbruck	F	12	55
Inverness	S	7	45
Islamabad	F	26	79
Istanbul	C	17	64
Jakarta	C	32	91
Jersey	R	10	50
Johannesburg	S	26	79
Lima	C	20	68
Lisbon	C	18	66
London	F	11	52
Los Angeles	S	13	57
Luxembourg	F	8	46
Madeira	C	21	70
Madrid	F	17	64
Majorca	S	23	75
Malaga	F	22	72
Malta	R	20	68
Manchester	S	8	46
Manila	F	33	93
Melbourne	S	27	82
Mexico City	C	25	78
Miami	S	18	65
Milan	C	11	52
Montreal	S	1	34
Moscow	C	2	37
Munich	C	7	45
Nairobi	F	23	75
Naples	R	17	64
Nassau	F	25	78
New Delhi	–	–	–
New York	C	6	49
Nice	S	17	64
Nicosia	F	23	75
Oporto	Dr	17	64
Oslo	R	7	46
Paris	F	10	50
Peking	S	17	63
Prague	F	8	48
Reykjavik	C	7	45
Rhodes	T	18	65
Rio de Janeiro	F	30	86
Rome	R	17	63
Salzburg	R	8	48
San Francisco	S	12	54
Seoul	F	18	66
Singapore	F	31	88
Stockholm	R	6	43
Strasbourg	F	12	54
Sydney	S	30	86
Taipei	F	27	81
Tangier	C	18	66
Tel Aviv	S	29	84
Tenerife	F	25	77
Tokyo	S	18	66
Toronto	–	–	–
Tunis	C	21	70
Valencia	S	22	72
Venice	R	12	55
Vienna	R	10	50
Warsaw	R	10	50
Washington	F	5	41
Zurich	R	7	45

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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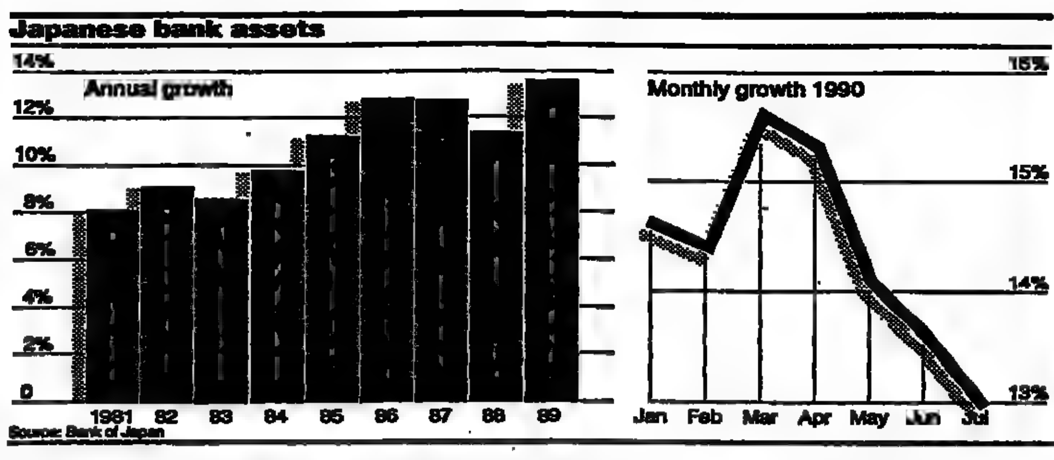
Tuesday October 30 1990

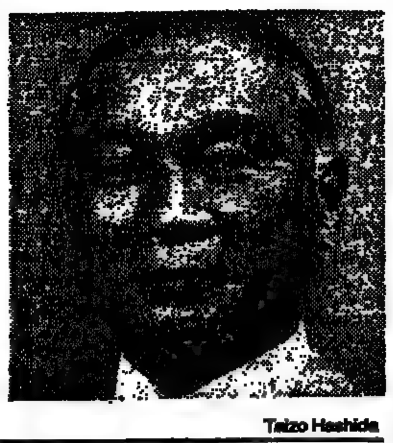
Chief price changes yesterday

FRANKFURT (DM)				Teco Energy	29⅞	–	⅛
Rises				**PARIS (FFr)**			
Altana	478	+	[illegible]	**Rises**			
Falls				Carrefour	3472	+	60
Bayer-Hypo	308	–	8	Merlin-Gerin	478	+	13
Beiersdorf	688	–	14	Pernod Ricard	1038	+	18
Bil & Berg	842	–	10	**Falls**			
Douglas Hldgs	828	–	8.5	Beghin-Say	709	–	15
Porsche	750	–	25	Coparex	690	–	21
NEW YORK ($)				La Henin	536	–	19
Rises				**TOKYO (Yen)**			
ADT	20½	+	1	**Rises**			
Pfizer	74¾	+	⅜	Fuji Heavy	725	+	45
Falls				Isuzu Motors	830	+	30
Mentor	10⅝	–	1⅝	[illegible]	1370	+	20
Mobil	57½	–	⅝	Tosoh Corp	670	+	71
Sun Micro	15⅝	–	½	Toyobo	695	+	40
LONDON (Pence)							
Rises				[illegible]	259	+	[illegible]
Blacks Leisure	42	+	7	Tilbury	530	+	25
Brent Walker	55	+	10	Wolseley	285	+	7
Capita	182	+	13	**Falls**			
Classic Thread	7½	+	3	Davy Corp.	94	–	9
Cookson	78	+	4	Futura	71	–	11
Costain	196	+	8	GKN	292	–	9
Eurotunnel	498	+	15	Iceland Frozen	264	–	10
Glaxo	780	+	6	Rank Org.	579	–	14
Hawker Sidd.	405	+	9	Williams	207	–	5
ICI	823	+	8	Wimpey (G.)	185	–	8
Klark Teknik	83	+	13				

Japanese banks brace for credit squeeze

Stefan Wagstyl meets a top banker who has no illusions about the tough times ahead





Taizo Hashida

Mr Taizo Hashida, chairman of the Federation of Japanese Bankers Associations, makes no bones about the severity of the credit shortage facing Japanese banks and their customers.

Gripping the sides of his armchair as he speaks, he says: "Japanese banks are in a difficult position. I am not saying that a credit crunch will happen in the immediate future. But there is a possibility that it could come some time in the near future."

His comments are one of the strongest public warnings given so far by a senior Japanese banker on the current state of world banking. They echo remarks made last month by Mr Alexandre Lamfalussy, general manager of the Bank for International Settlements (BIS), who referred to the "risk of an international credit crunch".

Mr Hashida, who is also chairman and president of Fuji Bank, a top commercial bank, says Japanese banks are having to cut the rate of growth of their assets from peak levels of over 20 per cent in the late 1980s to about 5 per cent. They must do this to meet new international standards on capital adequacy laid down by the BIS, which set minimum levels for the ratio of capital to assets.

Japanese banks had hoped to make the grade by issuing large amounts of new equity and by relying on unrealised gains on their investment portfolios. But this year's plunge in the Japanese stock market killed off both these propositions. So the banks have turned to their loan books.

Unfortunately, Japanese banks have quickly learnt that just turning away new business will not do enough to meet the targets: they will also have to greatly increase their plans to sell off loans.

Selling loans is something no Japanese bank undertakes lightly, because long-standing relations between banks and clients are regarded as almost sacred. Japanese bankers are generally reluctant to even discuss the practice. But Mr Hashida insists that banks will conform to BIS standards.

"We have to change our attitude vis-a-vis our customers. We need to increase our efforts to get their understanding of our position. We must make sure they understand," says Mr Hashida.

He says Fuji and others have already sold loans over the past year, at home and overseas, including housing and industrial loans. The buyers have mainly been Japanese life companies.

But the scale has been small, and in future it will have to be big enough to contribute to cutting the overall growth of assets.

Mr Hashida, who joined Fuji Bank in 1950 and became president in 1987, has ascended to the chairmanship of the bankers' federation in the most difficult year since the oil shocks hit Japan in the mid-1970s. Despite the turmoil in the industry, Mr Hashida has not shirked his responsibilities and has made forthright public comments on issues which some of his predecessors would have done their best to avoid.

Surveying the banks' domestic borrowers, Mr Hashida says banks are doing their best to supply credit to large and small industrial companies. But property developers are feeling the pinch.

Mr Hashida believes that if land prices in Japan were to collapse by 30-40 per cent then the impact on financial companies would be "very serious".

"Many real estate companies would go bankrupt and it would lead to difficulties at some small and medium-sized institutions as well," he says.

However, Mr Hashida does not expect a price decline of this size. Drops of 10 per cent in Tokyo and up to 20 per cent in Osaka and other provincial cities are more likely, he says. Financial companies could absorb a decline of this scale.

Overseas too, property companies will find funds harder to secure from Japanese banks, says Mr Hashida, as will construction groups and organisers of leveraged buy-outs.

Banks will seek "conventional corporate loans". Mega-projects such as the Channel tunnel will be treated with "more caution" and with an eye to bigger margins to compensate for the risks.

Mr Hashida acknowledges that eastern Europe will have a big appetite for credit.

But "in the current circumstances, we Japanese banks will not be pursuing business there very aggressively". As for the Soviet Union, Mr Hashida says it is in a very difficult position. It will have to make progress towards a market economy before Japanese banks will consider loans.

China is a more attractive proposition, not least because it is more familiar ground to Japanese bankers. For the first time since the suppression of student demonstrations last year, Fuji Bank is considering making new loans to China, in addition to lending under agreements already in place before June 1989.

But domestic matters currently take up most of Mr Hashida's time. In addition to the questions of capital adequacy, rising interest rates and the squeeze on property companies, Mr Hashida is having to deal with a scandal concerning illegal loans at Sumitomo Bank.

Two former branch managers of Sumitomo were indicted last week on charges of arranging illegal loans totalling Y43.8bn ($341m) for stock speculation syndicates.

The affair has shaken public trust in banking to the point where the bankers' federation has cancelled a long-planned television advertising campaign extolling the merits of banks.

Japanese banks are now trying to win back public confidence by increasing supervision of loan approvals, says Mr Hashida.

In the late-1980s when interest rates were low, banks lent too freely. "I'm afraid that during the easy credit period supervision at some banks became a little bit soft. Now we are tightening. We must keep public trust," says Mr Hashida.

Dentsu to take stake in UK agency

By Raymond Snoddy in London

DENTSU, the largest Japanese advertising agency, is to take a 40 per cent stake in Collett Dickenson Pearce, a leading private UK agency, in what is believed to be the biggest Japanese move so far into the UK advertising business.

Neither company would reveal the value of the deal yesterday, but it is believed to be in the region of $40m.

The signing of heads of agreement between the two companies underlines the growing internationalisation of the huge Japanese advertising industry.

Dentsu, which has more than 3,000 clients and had billings of $10.06bn last year, is one of the world's largest advertising agencies.

By comparison, CDP is ranked ninth in the UK with $270m in billings last year. The deal will give Dentsu a strategic stake in the CDP network of 16 European agencies in countries ranging from Portugal and Turkey to Denmark and Switzerland. In most cases CDP has either a minority or majority stake in the local agencies.

Mr Gohei Kogure, president of Dentsu, said in a statement yesterday: "We need a strong network of truly European agencies each run by local professionals. We believe that CDP is the ideal partner because we have a mutual understanding and appreciation of each other's creative and operational cultures."

In Britain CDP is best known for advertising campaigns for Hamlet cigars, a generic campaign for sugar, last year's water company privatisations and the forthcoming privatisation of the regional electricity supply companies.

Mr Christopher Stewart-Smith, chairman of the CDP group holding company, said yesterday the deal was of much greater strategic significance than the sum of money involved.

The two companies have been working together for several years handling a number of major clients, including recently Japan Airlines. The aim now is for the CDP European network to look after the interests of Dentsu clients in Europe.

It is unclear what will happen to Dentsu's 20 per cent stake in the HDM network in Europe, a partnership between Dentsu, Eurocom and Young and Rubicam.

Most of the major Japanese advertising agencies have announced plans to expand into other countries or are about to do so.

Brent Walker agreement on borrowing package

By Maggie Urry in London

BANKERS to Brent Walker, the heavily-indebted UK leisure group, have agreed in principle to change its borrowing arrangements, allowing the company yesterday to post to its shareholders a document about an urgently-needed £103.3m ($202m) convertible bond issue.

The bond issue was announced last month by the group – which operates pubs, betting shops, hotels, marinas and leisure complexes – as an alternative method of raising cash. Brent Walker needed the money to cut its debt after the deteriorating property market prevented it from selling assets at what it considered fair value.

The 109-page document sent out yesterday hinted at the drama behind the scenes late last week, when the Bank of England nudged banks into reaching agreement with Brent Walker. Only on Friday, Standard Chartered Bank, one of the group's main bankers, confirmed a deal through which an overall £40m short-term cash injection was provided to the group.

If the document had not been sent out by today, the conditions of the bond issue would not have been met and the issue might have had to be cancelled.

Brent Walker's urgent need for the bond issue is illustrated by the level of its borrowings. The group's debts stood at more than £1.4bn on October 16 – higher than the figure of £1.15bn at July 15 shown in the group's interim report a month ago. It compares with shareholders' funds of £977.5m, if the bond issue is included as equity.

Brent Walker also gave details of the sale of Goldcrest, its film subsidiary, to a management team for $33m (£17m), lower than it had hoped to achieve.

The group's shares jumped yesterday morning, reaching 66p from the opening price of 45p. However, as copies of the document circulated around the City, the shares slipped back, closing 10p up on the day at 55p, valuing the group at £27.6m. Brent Walker said it needed time to agree details of the changes in its borrowing arrangements.

Talks with the bankers will centre on the group's covenants – limits bankers put on the group expressed in terms of financial ratios such as balance sheet gearing (the ratio of debt to equity) and interest cover (the ratio of pre-interest profits to interest charges).

These covenants need to be amended, partly because they appear to have been breached already over counting the new bond issue as equity rather than debt. A November 16 deadline has been set on sending details to shareholders about the new financing plan. Bankers said that the talks would probably not be completed until within days of that deadline. The group's debt has risen sharply over the last few years as Brent Walker borrowed to buy businesses, such as the William Hill and Mecca bookmaking chain.

It had intended to cut its debt by selling other assets. But the recent deterioration in the property market prevented disposals being made at prices which Brent Walker considered fair value.

The bond issue, announced last month, was intended as an alternative method of raising cash. At first, it was hoped that this would be a straightforward issue, but bankers agreement to the issue had to be won, causing delays.

Lex, Page 18

Stiff price competition pushes Chrysler to third-quarter loss

By Martin Dickson in New York

CHRYSLER, the US motor manufacturer which has suffered a sharp decline in car market share and now faces a possible confrontation with the United Auto Workers union, yesterday reported a $214m third-quarter net loss.

The loss, slightly lower than Wall Street expectations of some $250m, was due mainly to fierce price competition in the North American market, where manufacturers are offering large rebates to boost sales, and to model changes which restricted Chrysler's production of its most profitable vehicle, the mini-van.

The loss, which amounted to 95 cents per share, compared with earnings of $331m or $1.42 a share in the third quarter of last year, although those results were flattered by a $309m after-tax gain on the sale of shares in Mitsubishi Motors of Japan. Revenues for the quarter totalled $6.5bn, against $7.88bn a year ago.

The figures came as the UAW prepared to let its labour agreement with Chrysler expire from midnight last night, sending a clear signal to management that it is unhappy with the state of negotiations for a new three-year contract. The move could also pave the way for eventual strike action.

The company, financially the weakest of the Big Three US car companies, has been insisting that it cannot afford to settle with the UAW on the same terms the union has reached with Ford and General Motors.

Those agreements gave large boosts both to pensions and unemployment benefits, but Chrysler, with a proportionately higher number of retired workers, already faces relatively higher pension costs than its Detroit rivals.

Chrysler said that, during the third quarter, it lost production of some 56,000 mini-vans. It normally sells nearly 400,000 of these family vehicles in a full year. The loss was due to changes on the production line to allow the company, which successful pioneered this type of vehicle in the mid-1980s, to introduce new models aimed at maintaining its dominance of the market.

The red ink in vehicle manufacturing was partially offset by the company's financing offshoot, Chrysler Financial, which had record third-quarter earnings of $83m, up 9 per cent on a year ago. For the nine months, Chrysler Financial reported earnings of $257m, up nearly 30 per cent, which allowed the group as a whole to report a profit of $37m, compared with $1.02bn in the same period of 1989.

Mr Lee Iaccoca, Chrysler's chairman, reiterated that the company was planning to cut some $2.5bn off costs over two years to withstand the downturn in the market.

Merck Finck chief to join Gerling

By Katharine Campbell in Frankfurt

MR ADOLF Kracht, partner of Merck Finck, the exclusive Munich family bank bought last month by Barclays of the UK, is leaving to become deputy chief executive of Gerling, the leading private insurance group.

Though not unexpected, the departure of Mr Kracht, who had responsibility for the daily running of Merck Finck, is a blow to Barclays. Continuity at Merck Finck's Munich headquarters had been seen as crucial for the success of the UK bank's German venture.

Mr August von Finck, 60, grandson of the bank's founder, sold Merck Finck at the end of September in a surprise move partly dictated by his childrens' unwillingness to take over the family banking interests.

The deal with Barclays was struck in such secrecy that Mr Kracht himself did not hear about it until the eleventh hour.

Merck Finck said Barclays had "made every conceivable offer" to persuade Mr Kracht to stay. Mr Peter Stappen, Barclays general manager in Germany, said he hoped continuity would be provided by Mr Wilhelm Winterstein, a cousin of Mr von Finck, who will be the "speaker" and a liable partner of Merck Finck alongside Mr Giles Davison of Barclays.

Mr Kracht, 55, moves to Cologne-based Gerling at the end of the year.

He lacks any direct experience in the insurance business, but has close personal ties to 75-year-old Mr Hans Gerling, who remains chief executive and 100 per cent owner.

Mr Kracht has served on supervisory boards of several Gerling companies.

The largest German insurer still in private hands, Gerling is expecting consolidated worldwide premiums this year of around DM8.1bn ($5.3bn), 85 per cent of which stem from writing industrial risk policies.

Its viability as an independent entity is the subject of constant speculation in the increasingly competitive world of giant publicly-owned insurers.

Mr Kracht's appointment is seen inside Gerling as bridging the generation gap for 10 years or so until Mr Rolf Gerling, 35, only son and heir, is ready to take the reins.

INTERNATIONAL COMPANIES AND FINANCE

Financial items hold Hafslund to NKr227m

By Our Financial Staff

HAFSLUND Nycomed, the Norwegian drugs company known for its Omnipaque contrast media used to make X-ray pictures clearer, saw third-quarter pre-tax profit before special items slip to NKr227m ($38.5m) from NKr244m.

The setback was due to a NKr35m expense on financial items, compared with income of NKr23m in third quarter of 1989.

Operating profit for the quarter, at NKr255m, rose 15 per cent but, after stripping out the effect of disposals – Hafslund Metall and Hafslund Engineering – and acquisitions – HN Pharma, an Austrian business, and the takeover of Collett-Marwell Hauge, another drugs company – the improvement was 17 per cent.

For the nine months, pre-tax profit before one-offs rose by NKr11m to NKr765m. Financial items cost NKr19m, compared with income of NKr11m for the year-ago period. Revenues rose 44 per cent to NKr3.14bn.

Sales of Omnipaque by licensees improved 25 per cent, and royalties rose 13 per cent to NKr309m, the rate in Norwegian currency being held back by weaker exchange rates.

Operating profit for the nine months before research and development costs was NKr1.11bn. Spending on R&D for the nine months surged by 70 per cent to NKr354m, mainly due to the HN Pharma purchase, the company said. Restructuring of this business, involving the loss of 190 jobs, was nearly complete, Hafslund Nycomed said.

For the nine months, Nycomed Imaging, the division that accounts for Omnipaque, made operating profit of NKr755m, up 18 per cent from the previous nine months.

Among other interests, Hafslund Transport bought three refrigerated cargo vessels from the beleaguered Polly Peck International this year. The plan is to lease them back to Polly Peck's subsidiary Del Monte for 10 years.

Hafslund said: "Del Monte's operations are financially sound and shielded from the other companies in the PPI group."

Danieli increases profits for the year to L61.5bn

By Haig Simonian in Milan

DANIELI, the leading Italian manufacturer of steel-making equipment, raised net profits by 11.6 per cent to L61.5bn ($54m) in the financial year ended June 30 from L55.1bn the previous year.

Sales surged by almost 70 per cent to L767.1bn from L451.9bn thanks to buoyant demand from international markets, notably in Europe and the Middle East, according to Mrs Cecilia Danieli, the managing director.

The company, which is paying an unchanged dividend of L220 and L240 for ordinary and savings shares respectively, confirmed a L77bn equity buyback for slightly over 7m shares.

Rejecting claims that it would be severely hit by the loss of business from Iraq following the Gulf crisis, Danieli noted that 80 per cent of its Iraqi orders were covered by Italian export credit insurance.

Nevertheless, political tension in the Middle East has already hit business, with a swift plunge in orders from L1,550bn at end-June to L1,000bn, net of Iraqi business, by the end of August, it said.

Production for Iraq, whose outstanding orders were due for delivery from the end of this year, had been successfully switched to other clients thanks to the heavy volume of other business, according to the company.

NEWS IN BRIEF

Dasa to reorganise plants

DEUTSCHE Aerospace (Dasa), the aerospace and military division of Daimler-Benz, is reorganising its aircraft plants "to compensate for the slow down in military aircraft production," according to Mr Johann Schäffler, head of the aircraft division of Dasa, writes **David Goodhart** in Bonn.

The aircraft division will have four main units: the helicopter strategic business unit; the military aircraft strategic business unit; Deutsche Airbus; and the regional aircraft strategic business unit.

Mr Schäffler confirmed that the last-named unit was engaged in a feasibility study with other European producers for the building of a new 80 to 130 seater regional jet.

■ Assurances Générales de France (AGF), the French state-owned insurance company, has moved into first place in the Chilean insurance market with the acquisition of majority stakes in two companies, and of a significant holding in a leading pension fund, writes **George Graham** in Paris.

AGF will control 16.5 per cent of Chile's non-life insurance market with the acquisition of 96 per cent of Consorcio Generales, with 10.2bn pesos of annual premiums, and 61 per cent of Prevision, with 3bn pesos of non-life premiums and a further 4.2bn pesos of life premiums.

■ VARD, the Norwegian shipping, finance and shipbroking group, after nine months experienced a decline in pre-tax profits to NKr301.8m ($51.23m) from NKr345.2m last year. Third-quarter profits also declined by NKr24m to NKr119m, writes **Karen Fossli** in Oslo.

Vard A/S, the parent company, experienced losses after nine months, of NKr43.7m compared to losses of NKr28.2m last year. Third-quarter losses fell NKr1.7m to NKr16.6m.

Group extraordinary income from foreign exchange gains, after nine months hit NKr57.5m compared to losses of NKr43.5 last year. Earlier this year Vard was listed on the London stock exchange.

Preparing for life at the end of the road

Mercedes and Voest plan to recycle material from scrap cars, reports **John Griffiths**

The European motor industry's growing interest in recycling cars to avoid wasting energy and materials has been boosted by the formation of a joint venture between West German car maker Mercedes-Benz and Austrian steel and industrial group Voest-Alpine Stahl.

Management of the venture, which has yet to be given a formal name, has begun looking for a site on which to establish a car dismantling plant.

The Mercedes-Voest action follows similar moves by two other West German vehicle groups, BMW and Volkswagen, each of which already has pilot recycling operations.

Mercedes and Voest say their long-term aim is to be able to recycle virtually all of the materials which will make up cars in the future, either converting them into new parts or turning them into energy via high-temperature gasification furnaces.

If complete recycling were to be achieved, and taken up by the entire motor industry, the materials and energy-saving potential is considerable. Western Europe alone has a population of about 120m cars, around 7 per cent – or 8m – of which are scrapped each year.

Currently, recycling of cars is time-consuming and inefficient, not least because materials needing different types of processing are difficult to separate from each other. Also, about 25 per cent of the weight of vehicles, involving mainly plastics, glass and rubber, has to be dumped because no economic recycling processes are available.

Mercedes, BMW and Volkswagen plan to produce new generations of cars which will be designed to make the dismantling process much easier. But the first of these are unlikely to start appearing before the late 1990s. This means that the benefits of total recycling are unlikely to become available until these cars are heading for scrapping around 2010.

Mr Jurgen Hubbert, head of Mercedes' passenger car division, acknowledges that "all the recycling systems that exist at present offer only partial solutions to the problem. If our expectations are realised we will be able to bring a solution to this vitally important environmental matter."

At the dismantling plant envisaged for the joint venture, all fluids will be drained from the vehicles and recycled. Engine, starter motor, gearbox, radiator, battery and catalytic converter will be removed and all the constituent metals recovered, including platinum and rhodium from the catalyst.

Thermoset plastic parts which cannot be melted down for recycling will be chopped up and burned in the gasification furnace, which will also melt the basic metal shell. The various scrap feedstocks are expected to provide about 30 per cent of the total energy requirement of the recycling processes.

BMW, working with several partners in the chemicals and materials processing industries, has already set up a pilot dismantling plant at Landshut, near Munich, which is breaking up 1,500 cars this year. The aim is to study the best processes that might be applied to a 250,000 cars-a-year plant which BMW hopes to build over the next several years. Volkswagen has also spent £2m on a pilot project.

Mercedes, whose gloveboxes and other interior trim parts are already made from recycled paper and rags, is already taking recycling into the aftermarket. A spokesman said that Mercedes drivers who need to replace damaged bumpers can now buy either new ones or, for a lower price, ones that have been salvaged and repaired.

BA launches second cost-cutting review

By Paul Betts in Geneva

BRITISH AIRWAYS is launching a second internal review of costs and employment levels to try to offset rising fuel and other operating costs which are putting pressure on earnings.

A review earlier this year identified potential savings of up to £40m ($78m) a year by next year. Sir Colin Marshall, deputy chairman and chief executive, said in Geneva yesterday that the new review was expected to produce an even greater level of annual savings for the airline.

BA reported pre-tax profits of £345m for the year ended last March; it is due to report profits for the first half of the current year on November 14. The impact of higher fuel prices provoked by the Gulf crisis will be felt in the second half which has also traditionally been a slower traffic revenue period than the first half.

The first review included a freeze on jobs and a number of specific measures to curb administrative and operating costs. The new cost-cutting programme will look at all other areas to cut administrative and overhead costs which the airline believes it can effect without undermining competitiveness and quality of service.

Sir Colin said no significant staff cuts were envisaged at this stage although there may well be some cuts in staff levels and some job redeployment.

He said there were some signs of traffic weakness, although BA's traffic grew by 9.5 per cent last month compared with September last year. Growth this month is not expected to be as high as in September but would still be "reasonably good". However, Sir Colin expects the figures to decline during the winter months.

Sir Colin also said yesterday that BA had deferred its decision on a $4bn fleet renewal programme until early next year. BA was expected to decide before the end of this year on a large new aircraft order to replace its older Lockheed L1011 TriStars and McDonnell Douglas DC10 aircraft.

● The EC is expected to announce its ruling on another controversial European airline deal today involving Air France's takeover of UTA, the independent long haul French airline, and of Air Inter, the domestic French carrier. The Commission appears set to approve broadly the Air France-UTA deal.

VME in bid for Swedish group

VME GROUP, a Netherlands-based maker of construction equipment, said yesterday it had made a recommended cash offer for Akermans Verkstad, valuing the Swedish excavation equipment maker at SKr505m ($90m), Reuter reports.

The bid is worth SKr148 for both A and B shares in Akermans – 48 per cent greater than the last price of SKr100 for Akermans' restricted B shares. VME is jointly owned by Sweden's Volvo and Clark Equipment of the US.

VME said it already had shares equivalent to 4.5 per cent of Akermans' share capital and 29.3 per cent of the voting rights. It said holders of an additional 20.4 per cent of the share capital and 13.3 per cent of voting rights had said they would accept the bid.

VME said the bid was conditional on it acquiring a total of 90 per cent of Akermans' share and voting capital, and the Swedish government's approval of necessary changes in Akermans' charter.

A prospectus would be published in December, VME said, with the acceptance period running from December until January 1991. Although VME is based in the Netherlands, its head office is in Brussels.

Thomson sinks to loss of FFr270m

By William Dawkins in Paris

THOMSON, the French state-owned defence and consumer electronics group, yesterday reported a swing to FFr270m ($53.2m) attributable net loss for the first half of the year, from a FFr71m profit in the same period of 1989.

Increased research and development costs, higher interest charges, the weakness of North American markets for consumer electronics and the dollar's decline in value were the main reasons for the swing, said Thomson.

Its results are the latest evidence of the troubles affecting Europe's electronics industry, where Philips, the Dutch multinational which is Thomson's partner in an ambitious development programme for high definition television (HDTV), only last week announced a further round of sweeping cuts in its workforce.

The French group and its consumer electronics division, Thomson Consumer Electronics, are fully state-owned, although Thomson CSF, the 60 per cent-owned defence subsidiary, is quoted. Thomson CSF last month reported a 29 per cent drop in net profits for the first half of 1990.

Thomson group warned that the full year's attributable net profits would be less than the FFr497m reported by the group in 1989, while turnover would fall slightly from FFr76.6bn to just over FFr75bn.

Operating profits in the first six months rose from FFr807m to FFr857m, but the financial loss on interest costs and other charges widened from FFr446m to FFr729m. This was mainly due to the consumer electronics division's increased working capital requirements and a fall in cash balances at the defence electronics subsidiary.

Earnings were also hit by a rise in research and development costs, to FFr2.24bn from FFr1.76bn in the first half of last year.

Full-year earnings would be hit by higher finance charges and reduced contributions from associated companies like Altus Finance, Thomson's treasury bank, in which Crédit Lyonnais took a 51 per cent stake last year.

Thomson Consumer Electronics was also expecting a fall in sales because of North American markets' continued weakness.

Overall, group operating profits should be stable and even increase as a proportion of sales for the year, said Thomson.

INTERNATIONAL COMPANIES AND FINANCE

Duta saga poses questions for Indonesian banking

Clare Bolderson looks at the implications of one bank's mistakes in an increasingly competitive sector

The recently revealed loss of nearly $420m in foreign exchange dealings at Bank Duta, one of Indonesia's largest and most politically influential private banks, has largely been blamed on one man, whose lavish lifestyle and playboy image have been paraded like a soap opera in Indonesia's press.

But bankers and financial analysts say Duta's former deputy president Dicky Iskandar Di Nata, whose is now in police custody, is not the only one at fault in a banking sector that may have been growing too fast for its own good.

Bank Duta's problems first came to light in early September when a brief statement from Bank Indonesia, Indonesia's central bank, announced the replacement of the entire board of directors because of "operational mistakes" in foreign exchange trading. Those mistakes were later revealed to be losses of $419.6m over a period of at least a year.

The losses were, however, apparently made good with injections of capital from the three foundations headed by President Suharto which together own 72 per cent of Bank Duta. The banks' financial stability has been secured. In its financial statement last week Bank Duta reported pre-tax profits of more than $12m for the first nine months of this year, although the accounts did not mention the huge foreign exchange losses.

Bank Duta appears to have survived intact, but the affair has raised concerns about regulation and control in an increasingly competitive banking environment. Questions are now asked about the quality of banking personnel, the ability of banks to supervise internally, and the role of Bank Indonesia in policing a sector which, since financial reforms in October 1988, has been expanding rapidly.

Indonesian bankers and economists have no doubts that the 1988 reforms were enormously beneficial to a banking system previously dominated by five state-owned banks, and where competition was almost non-existent and interest rates were high.

The reforms, designed primarily to mobilise domestic savings and encourage investment, allowed new private domestic banks, new branches throughout the country for existing banks, and foreign bank involvement into joint ventures with Indonesian domestic banks.

The results have been dramatic. In the past two years, 47 new private banks and 15 joint venture banks have been licenced by the finance ministry. Private commercial banks have opened more than 600 new branches throughout Indonesia, with many more expected. Interest rates have declined, competition among the new banks has resulted in a wider and more imaginative range of services, and overall bank liquidity has risen.

Now that the dust is settling, however, some of the cracks are beginning to show. Questions have arisen about the market's ability to absorb so many new banks and branches in a country with such a small middle class and without any sort of historical credit or saving culture.

As Mr Melville Brown, a corporate adviser at Bank Umum, puts it: "I don't think the consumer market is there in the depth that they need it."

There is also a risk, bankers say, of deteriorating loan quality, especially among the smaller private banks. The worry is that pressure to expand loan portfolios and recycle costly deposits are reinforcing a tendency towards lower standards of credit analysis by less qualified and inexperienced personnel. As a result, any big downturn in the Indonesian economy may result in high default rates.

In addition, banks have recently come under pressure from Bank Indonesia's tight monetary policy to curb speculative lending and check inflation. Interest rates for overnight funding have swung as high as 40 per cent in recent months. With an average loan-to-deposit ratio of 120 per cent, Indonesia's banks are feeling the pinch.

These concerns are hitting the Indonesian banking industry at a time when its rapid expansion has lead to a chronic shortage of qualified and experienced staff. Financial analysts point to weaknesses in management and internal auditing in some institutions.

Quality of staff is a problem that Mr Adrianus Mooy, Bank Indonesia's governor, is apparently well aware of.

Mr Mooy was reported as telling a recent business conference in Jakarta that there was an urgent need for stepping up the training of bank personnel. He devoted much of his speech to the importance of banks improving their management, internal control and standards of professionalism and responsibility.

The same also applies, financial experts say, to the central bank itself. Bankers question neither the motives nor the capabilities of the staff at Bank Indonesia, but point to a shortage of qualified people to deal with the huge task presented by expansion in the sector.

One of the first questions raised by the Bank Duta affair, for example, was why it took so long for the central bank to become aware of dealings which were leading to such massive losses. Some bankers say, however, that they are encouraged by the speed at which Bank Indonesia acted once the problems at Duta were revealed. Bank Indonesia is now working on a programme to improve its supervisory role, and Mr Mooy has also said that employee training programmes will in future be used by Bank Indonesia in assessing the soundness of banks.

Some bankers see the problems only as teething troubles resulting from the broad, though occasionally vague, provisions of deregulation. They say that the Indonesian banking sector will, given time, reach maturity. In the process, most bankers agree there will be a period of some readjustment, with a number of acquisitions and mergers expected. "I can't see it continuing at the same pace," one analyst commented. "There has got to be a consolidation."

Bank Indonesia has said repeatedly that it will not bail out any bank that runs into serious trouble, though one foreign banker at a leading private bank points out that it would be contrary to Indonesia's culture and its drive for foreign confidence to let a bank go under. "Banks that need support will get it," he says. "Bank Indonesia would certainly not let a bank collapse."

Good sales offset research costs at Oki Electric

By Martina Gannon in Tokyo

PRE-TAX profits at Oki Electric, one of Japan's leading makers of communications equipment, edged up to Y11.3bn ($88.3m) in the six months to September 30, a 1 per cent rise over the same period last year.

Sales in the first half rose 5.8 per cent on the same basis to Y272bn.

The company, closely tied to telecommunications giant NTT, said strong sales of printers and information-related terminals offset the high costs of research and development. After-tax profits fell 8.3 per cent to Y7.2bn.

Oki predicts pre-tax profits for the 12-month period to March 31 will improve to Y26bn from the previous year's Y24bn, and sales will rise to Y600bn from Y552bn on the same basis.

Singapore Airlines profits down 12.7% to S$533m

By Joyce Quek in Singapore

SINGAPORE Airlines (SIA), the national carrier, has announced a fall in interim profits and says it is unlikely to match the 1989-90 results which made it the world's most profitable airline.

Group revenue rose 2.2 per cent to S$2.5bn (US$1.47bn) for the six months to September, while pre-tax profits fell to S$681.9m from S$751.6m due to sluggish traffic growth and higher costs. After-tax profits fell at a sharper 12.7 per cent to S$533m, with lower capital allowances raising the tax bill.

With higher fuel costs threatening world economic growth, SIA puts its full-year forecast well below last year's pre-tax profits of S$1.4bn on the back of S$5.1bn in turnover. Every one US cent increase per gallon of aviation fuel raises SIA's costs by S$9.8m.

Although advance passenger bookings are satisfactory, some routes have experienced softened demand. The cargo business is generally good, and overall yield is expected to improve from fuel-related fare increases, says the carrier.

Expenses rose 7 per cent to S$1.95bn, with staff and fuel costs up by S$25.7m and S$20.1m respectively. Like most Singapore companies with extensive overseas transactions, SIA gained S$61.7m from the strengthening local dollar, but translation losses of S$126.9m wiped out this gain.

So far this financial year, one significant income source – the sale of aircraft – has yielded S$189m.

Earnings per share fell from 99 to 84 cents due to lower profits and shares issued to Delta Airlines in a share swap/marketing alliance. A higher dividend of 15 cents will be paid.

Semiconductor downturn hits Nikon earnings

By Martina Gannon

THE lacklustre semiconductor market dragged down pre-tax profits at Nikon, the Japanese camera to semiconductor company which is part of the Mitsubishi group, in the half year ended September 30 to Y9.6bn ($75m), a fall of 20 per cent from the same period last year.

Total sales dipped 0.3 per cent to Y122bn. Sales of steppers for semiconductors, the company's core business, dropped 19.8 per cent, although sales of other main products including cameras fared well.

The company sees a rise of 3.5 per cent to Y21bn in pre-tax profits for the full year ending March 31, as semiconductor makers are preparing big plant and equipment investment packages. After-tax profits in the same period are expected to go up 5.8 per cent to Y11.5bn and sales to rise 7.8 per cent to Y260bn.

Sentrachem blames high interest rates for 12% fall

By Philip Gawith in Johannesburg

SENTRACHEM, one of South Africa's three largest chemical groups, suffered the effects of a sluggish economy, high interest rates, and industrial action at many of its customers' plants to register lower earnings in the 17 months to the end of August.

Adjusting for the change in year-end, turnover rose 3.9 per cent from R2.88bn to R2.99bn ($1.2bn), and operating profit rose marginally to R306.9m from R305.6m. However, a large increase in financing charges, from R53.7m to R110.7m, contributed to a decline in attributable earnings, which were 12.4 per cent lower at R111.7m against R127.4m.

Mr Johan van der Walt, chief executive, said the last five months of the year had shown an accelerated rate of decline. He said that as long as the economic factors and high interest rates which have been depressing results recently continue to exert an effect on the group's activities, trading conditions would remain depressed.

Mothballing of the group's poly-isoprene rubber facility was completed at a total expected cost of R115m during the period under review. The cost has been provided as an extraordinary item.

Progress has been made on other projects. Safripol has completed the expansion of its high-density polyethylene and granulation capacity; NCP has commissioned the second phase of its chloro-alkali project; and the new maleic anhydride plant at Isipingo is due on stream shortly.

Earnings per share declined from 110.3 cents to 96.7 cents, but the dividend was lifted by 46 per cent from 25 to 36.5 cents per share.

Gencor up 17% despite slowing home economy

By Philip Gawith in Johannesburg

GENCOR, the diversified South African conglomerate with mining and industrial interests, resisted softer international commodity prices and a slowing domestic economy to record improved earnings in the year to the end of August.

Attributable income rose 38 per cent to R1.45bn ($570m) from R1.05bn.

Earnings and dividend growth were diluted following a rights issue, leaving earnings per share 17 per cent higher at 123 cents and the dividend 18 per cent up at 40 cents per share.

Domestic demand dropped sharply after the first few months of the financial year as the result of strict monetary and fiscal discipline.

In international markets commodity prices were mostly weaker and an 8 per cent deterioration in the rand-dollar exchange rate did not fully compensate for cost-inflation.

Attributable income from Gencor's mining interests declined from 54 per cent to 41 per cent of the total with chrome and manganese producer Samancor again the leading contributor at 17 per cent, down from 31 per cent because of a reduction in Gencor's effective interest.

Impala Platinum and Gengold maintained their income amid difficult market conditions while coal arm Trans-Natal doubled its contribution to 6 per cent of earnings.

On the industrial side both Sappi, the pulp and paper producer, and Malbak, the industrial holding company, were affected by adverse operating climates.

Sappi was also hit by weaker international markets for its products and industrial relations problems which saw its share of earnings drop from 26 per cent to 16 per cent.

Malbak's contribution dropped from 14 per cent to 8 per cent on the back of a domestic economy slipping into recession.

The brighter side of the results came from the newly formed energy arm, Engen, and Genbel which manages its own, and the group's, investment portfolios.

Engen, which is by value Gencor's largest investment with a market capitalisation of R3bn, contributed a maiden R203m or 14 per cent.

Genbel contributed R414m or 29 per cent of the group's income.

Mr Derek Keys, executive chairman, said the Gencor portfolio's share of this sum would drop with lower interest rates and the absorption of the rights issue funds into other projects which would become the source of profits.

Looking ahead, Mr Keys said that operating income was likely to fall in the current year, but substantial transaction profits would comfortably allow the dividend to be maintained at its increased level.

Willis Corroon sees fall in holders seeking appraisal

By Nikki Tait in New York

WILLIS Corroon, the insurance broking group formed by the recent merger of Willis Faber in the UK with US-based Corroon & Black, said yesterday that the number of shareholders seeking appraisal rights as a result of the merger had fallen from those speaking for 11.8 per cent of the equity to those with 4.4 per cent.

Under the merger terms, Corroon shareholders were offered shares in Willis. However, when a rival bidder offered a higher cash price for Corroon only to be rejected by the US company, some investors were sufficiently angry to suggest that they would seek the appraisal route instead. Under this process, they can have the value of their shares assessed by the US courts, and receive a cash sum instead.

However, the process is lengthy and the extent of the eventual premium over the paper terms was always uncertain. The two insurance brokers had suggested some shareholders seeking this option would fall by the wayside once the deal was cemented.

Macy losses tumble to $215m

R.H. MACY, the troubled US stores group, reported a jump in full-year net losses to $215m from $54m in 1989, while earnings before depreciation, interest and taxes fell to $719m from $822m. However, revenues rose to $7.27bn from $6.97bn, agencies report.

Macy's said in a filing with the Securities and Exchange Commission that sales were $1.63bn in the fourth quarter ended July 28 1990, compared with $1.59bn a year ago. Comparable store sales were 1 per cent up on the period. At the end of the year, Macy had total short and long-term outstanding borrowings of $5.56bn, up from $5.37bn in 1989.

The increase is primarily related to greater working capital borrowings. The debt will continue to result in significant interest expense – about $735m in 1991, Macy said. It anticipates the cash portion (about $600m in 1991) of the interest will be paid from operations. It is exploring ways to cut expenses.

Write-offs expected in third quarter at GM

By Martin Dickson in New York

WALL STREET is bracing itself for General Motors to take a large write-off on plant closures when it announces its third-quarter figures tomorrow.

The company has called an unusual meeting with brokers' analysts and they have been advising clients to expect pre-tax write-offs ranging from some $700m to $1bn or more. GM declined to discuss the issue yesterday.

The company has long classified four plants which make no cars as "idled" – a terminology which allowed it to get around its last labour agreement with the United Auto Workers, under which it agreed not to close factories.

However, the company has recently reached agreement with the UAW on a new contract allowing generous terms to employees who are laid off and this could pave the way for it to pronounce the plants formally closed.

Some analysts suggest that the company may use the opportunity to announce the closure of more than four plants. With supply greatly out-running demand in the US motor industry, there is great excess manufacturing capacity, particularly at GM, which saw its market share plunge by some 10 per cent in the 1980s.

Automotive News, the journal of the US motor industry, suggested yesterday that softening car and truck sales in the US could cause GM to idle as many as 17 of its 33 North American assembly plants at some point in the fourth quarter, cutting more than 10 per cent off its scheduled output of 1.15m units.

Ajinimoto hit by rising costs

By Martina Gannon in Tokyo

RISING materials and distribution costs in the six months to end-September battered pre-tax profits at Ajinimoto, Japan's largest food processor. Profits inched up 0.2 per cent from the same period last year to Y16.5m, in spite of a 3.4 per cent increase in sales to Y236.7m ($1.84m).

Profits were boosted by a surplus in the balance of the company's financial items and a Y2.9bn profit from equity dealing. Ajinimoto, which holds a 20 per cent stake in leading soft drink maker Calpis, plans to integrate the company into its own beverage division in the next fiscal year.

Partly due to this move, it predicts a pre-tax profit rise of 1.5 per cent to Y34.4bn for the full year to March 31. It expects annual sales to increase to Y515bn from Y477.1bn.

Reynolds prepares to turn full circle

Kenneth Gooding on the expansion of the large US aluminium group

Mr Bill Bourke, chairman of Reynolds Metals, second-largest of the US aluminium groups, said that when he moved into his office in 1986 it still had the same drapes and carpet that had been fitted in 1938 when the company's sprawling headquarters at Richmond, Virginia, was first opened.

And, despite chalking up record or near-record profitability in the past four years, Reynolds is only just getting round to refurbishing his office and the rest of the executive floor. The work is being financed by the sale of 18 paintings, valued at $2m, which until recently adorned the executive walls. "Most of us don't like the paintings," said Mr Bourke. "In any case, we've put $200,000 in the budget for replacements and with luck they will appreciate like the old ones."

All this says a great deal about the parlous state of Reynolds when Mr Bourke moved in as chief executive – and about his priorities when it comes to spending money.

"We are in the process of literally rebuilding and expanding this company from the ground up," he pointed out.

The task is far from complete. Changing the analogy, Mr Bourke said: "It's like turning a battle ship. It takes a long time. But we have gone about 300 degrees out of the 360 we need to do to complete the full circle."

The process started in the recession of the mid-1980s when Reynolds made 30 per cent of its employees redundant and wrote off 40 per cent of its production capacity. It is still cutting its workforce, but only by attrition. "We literally shrunk the company," said Mr Bourke.

"I was accused of cutting out more than the fat and getting into the sinews and bone. But we have prospered. When I took over the market value (of Reynolds) was $380m. Today it is worth $4bn. I bought my first 1,000 Reynold shares in 1981 at $18 each. Today they are $68."

He continues to tick off the improvements. "The debt-equity ratio was 60-40 in 1981. Today it is 31-69 after a regular increase in dividends."

Over the past four years Reynolds has taken steps to insulate itself against cyclical downturns by adding more efficient production capacity; developing its can, packaging and consumer products operations; enlarging its ability to add value to downstream products (more than 90 per cent of its sales today are in higher-margin, added-value, fabricated products) and diversifying into precious metals while reducing costs and improving quality.

"Relatively recession-proof packaging, can and consumer products already account for 40 per cent of Reynolds total sales of more than $6bn. Much of its recent growth has come from non-aluminium products, especially plastic. Some 20 per cent of its sales are now non-aluminium products.

The cornerstone of this strategy is an investment programme to refurbish operations. "It's a programme that affects virtually every one of our production operations," said Mr Bourke.

For the three years of 1988 to 1990 inclusive, Reynolds will have invested an average of more than $700m a year, including nearly $1bn this year alone. "We expect to spend another $750m in 1991," he added.

"These projects are already making contributions to the business and will give us a cumulative reduction in costs at all stages of production, from ingot to finished product.

"Assuming that demand and price for aluminium remains stable, capital projects to be completed this year and next are projected to produce pre-tax profit increases of about $150m in 1991 and over $200m in 1992." (Reynolds' taxable income last year was $758.3m).

Reynolds cut the cost of producing primary aluminium by 20 per cent by rationalising in the 1980s. Its new smelting capacity will produce aluminium at below 80 cents a lb, he said, thus cutting the company's total costs.

The company at present has the capacity to produce 848,000 tonnes of aluminium and buys in about 40 per cent of its requirements, mostly in the form of scrap. This allows Reynolds to cut its purchases of the metal during downturns in the economic cycle, Mr Bourke pointed out. Even when its new capacity comes into operation, Reynolds will still need to buy an annual 350,000 tonnes of the metal.

With new alumina and aluminium smelters now costing more than $1bn, the chances of the industry over-building in good times and being forced to shut down in bad – which plagued the aluminium industry in earlier decades – is unlikely to be repeated, according to Mr Bourke.

"I don't want to have to lay off people again," he said vehemently.

"The hardest thing in business is to have to lay off hard-working, loyal and good employees. It is one and a half years before I retire and I would prefer that my successor does not have to do this – I certainly won't."

Forecasts are likely to be revised from week to week in the light of current world uncertainties, but Reynolds sees "a minor near-term weakness in aluminium demand bottoming out around the year-end and business becoming stronger as we move through 1991.

"Business for next year as a whole should show decided improvement over 1990 in spite of possible near-term slackness," said Mr Bourke.

What this forecast means for Reynolds is that "we could have a good chance of making 1991 the best year in the company's history – barring a recession or other uncontrollable factors, of course."

Bill Bourke: 1991 could be the best year in the company's history

Reynolds Metals and Subsidiaries: 1986–89

	1986	1987	1988	1989
Total Revenues	3,909.3	4,318.6	5,618.8	6,211.1
Net sales	3,753.4	4,283.8	5,567.1	6,143.1
Net income	191.8	219.5	482.0	532.7
Total Al prod (tonnes)	934,900	1,080,100	1,213,600	1,234,000
Current assets	1,476.1	1,452.1	1,863.5	1,763.1
Current liabilities	846.0	781.8	1,155.0	981.5
Net working capital	630.1	670.3	708.5	781.6

Notes: All figures are in dollars, and except per share data, are in millions.
Source: Reynolds Metals annual report

US Borax reviews potential takeover targets

US BORAX, a wholly owned subsidiary of the RTZ Corporation of the UK, is negotiating with the owners of several potential takeover targets in the hope it can become a greater force in North America's industrial minerals industry, writes Kenneth Gooding.

This follows a successful diversification into the silica sand business, one which has similar markets and customers as those for the company's leading products borax and boric acid.

In 1987 US Borax merged two companies bought for US$135m into one called US Silica, which has 18 sites in 17 US states and accounts for nearly one-quarter of the US market for silica sands.

The merged companies, Pennsylvania Glass Sand, acquired in 1985, and Ottawa Silica, bought the following year, supply silica sand principally to glass and metal casting industries.

Mr Ray Kerstetter, US Borax's senior vice-president finance, said yesterday "tremendous cost savings" had arisen from the merger, which resulted in a 30 per cent reduction in numbers employed. He suggested that US Silica was now the most profitable company of its kind in North America. US Borax wanted to carry out a similar exercise in other parts of the industrial mineral industry.

But Mr Kerstetter stressed US Borax was not in any hurry. "We will only move when the time and the price and the (target) company is right." US Borax wanted at least a 15 per cent return on operating assets very quickly after any acquisition.

The market for borates – an essential but unobtrusive ingredient in more than 200 products, but primarily used in fibre glass in North America and as a bleach in washing powders in Europe – is mature. But Mr Ian White-Thomson, president of US Borax, suggested long-term annual growth of 2 per cent could be expected.

US Borax dominates the Western world's industry and accounts for about 55 per cent of the market. Its operations are based on one of the world's two largest boron deposits, discovered in 1927 and located in the middle of the Mojave Desert in southern California.

More than half of US Borax's $500m annual sales are exported, while its imports are negligible. The company prefers to keep its few competitors in the dark about its profitability. But RTZ Borax contributed net earnings of £99m ($193m) to the group total of £588m last year, against £103m and £425m.

Reader's Digest up 22% in first quarter

By Karen Zagor in New York

THE Reader's Digest Association, the publisher of one of the world's most widely read magazines, yesterday reported first-quarter net income of $50.2m, up 22 per cent from $41.2m a year ago.

Last year's results include a non-recurring charge of $5m. Earnings per share advanced 20 per cent to 42 cents in the 1991 quarter from 35 cents last year. Revenues rose 19 per cent to $524.1m from $442m.

The New York company, which went public in February, said US revenues rose 16 per cent in the latest quarter while international revenues jumped 27 per cent. Excluding the impact of favourable foreign currency translations, international revenues increased 10 per cent in the latest quarter.

In the three months to end-September, revenues from Reader's Digest magazine were 10 per cent higher at $156.7m. The company's books and home entertainment business posted revenues of $339m, up 24 per cent from a year ago. The special interest magazines operations reported revenues that were 39 per cent higher at $15.3m, including contributions from American Health magazine which was acquired in February this year.

St Lawrence earnings fall to C$26.7m

By Robert Gibbens in Montreal

A SEVERE slowdown in construction in Ontario and the north-eastern US brought a setback for Swiss-controlled St Lawrence Cement in the first nine months.

Earnings were C$26.7m (US$23m) or 66 cents a share, down from C$52.4m or C$1.30 a share a year earlier, on sales of C$482m against C$536m. Third-quarter earnings were equal to 33 cents against 62 cents.

St Lawrence, controlled by the Holderbank Group, and the largest cement producer in eastern Canada, said weak markets will continue in 1991. It is considering expansion into environmental services.

■ PanCanadian Petroleum, the energy arm of Canadian Pacific gained from higher oil prices in the third quarter, bringing a 49 per cent jump in net profit to C$49.5m or 40 cents a share on revenues of C$228m, up 24 per cent.

Net profit for the first nine months was C$107.5m or 88 cents a share, against C$106.4m or 86 cents a year earlier, on revenues of C$623m, up 9 per cent. PanCanadian has been given a mandate by the parent company to speed up development of its oil and gas reserves in western Canada. Higher earnings will help compensate for a collapse in Canadian Pacific's forest products arm.

INTERNATIONAL CAPITAL MARKETS

German bonds subdued as rate increase fears harden

By Simon London in London, Karen Zagor in New York and John Burton in Stockholm

GERMAN government bond prices were little changed as the market remained focused on the outcome of Thursday's Bundesbank Council meeting, at which an interest rate rise may be approved.

The mood, subdued by yesterday's inflation data, was summed up by one analyst as "waiting for Otto", referring to the key role of Bundesbank chairman Karl-Otto Pöhl.

The benchmark 8¾ per cent 10-year bund closed the day yesterday at 96.94 for a yield of 8.97 per cent, having opened at 96.99.

The key December bund contract performed better, closing at 82.06, up from an opening price of 81.88, although volume was thin.

Economists are split on the question of whether the Bundesbank will tighten monetary policy this week.

The proponents of an interest rate hike point to the provisional inflation data for October, which showed a 0.6 per cent rise in prices.

This gives a year-on-year inflation rate of 3.3 per cent, against 3.0 per cent in September.

In the past, German monetary authorities have acted to dampen inflationary pressures once the cost of living index breaches 3 per cent.

However, doubters think it unlikely that the Bundesbank will act before the first pan-German elections on December 7. They also point out that the Bundesbank yesterday moved to inject liquidity into the market, relieving upward pressure on rates.

Most agree that an interest rate rise will boost bund prices at the 10-year maturity, as investors anticipate lower German inflation and higher real yields.

Since the middle of August, the 8¾ per cent 10-year bund has moved within a yield range of 8.55 per cent to 9.14 per cent, on September 28. Any rise in interest rates may push yields back towards the lower end of this spectrum.

■IN New York, clear signs that the Federal Reserve had eased monetary policy were not enough to support US bond prices yesterday in a market which had already discounted in anticipation of the easing and US Treasury bonds moved broadly lower in thin trading as worries about supply once over-shadowed the market.

In late trading, the Treasury's benchmark 30-year bond was $\frac{11}{32}$ lower at 99$\frac{1}{32}$, yielding 8.83 per cent after posting modest gains in morning trading.

The losses were less severe at the short-end of the yield curve, where the three year issue was $\frac{1}{32}$ lower for a yield of 7.95 per cent.

The long-end of the yield curve came under additional pressure from higher oil prices yesterday. In the afternoon, December's crude oil contract was quoted $1.74 higher at $34.75 a barrel.

The Federal Reserve arranged $1bn in customer repurchase agreements when Fed funds, the rate at which banks lend to each other, were changing hands at 7¾ per cent.

The move, which adds liquidity to the system, was seen as an unambiguous signal that the perceived target rate for Fed funds had been cut to 7¾ per cent from 8 per cent.

Analysts expect the Treasury to sell as much as $34bn in three-year, 10-year and 30-year securities next week as part of its quarterly refunding. In addition, $12bn of two-year notes will be sold today.

■JAPANESE government bonds moved slightly higher overnight in Tokyo, with the benchmark No 119 issue closing on a yield of 7.705 per cent, from 7.87 per cent on Friday.

However, in London trading the yield on the 119 moved out to 7.73 per cent against a background of a weakening yen on the foreign exchange markets.

The dollar strengthened against the yen yesterday, trading at around Y128.50 in late afternoon, having been pushed down to Y124 last week. In the longer term, however, analysts are expecting yen appreciation to continue. This could also push up Japanese government bond prices.

Next week's anticipated auction of US Treasury stocks will be a key indicator of the extent to which Japanese funds are being repatriated into yen assets. Historically, Japanese investors have taken 30 per cent of the stock at US Treasury auctions. Recent experience suggests this level could be reduced to around 20 per cent.

■IN LONDON, government bonds were little changed on the day, supported by the firmness of sterling on the foreign exchange markets.

The benchmark 11¾ per cent gilt, maturing 2003/07, was unchanged on the day at 101¾ for a yield of 11.44 per cent.

■SWEDEN'S bond market was unexpectedly calm yesterday, confounding predictions that interest rates would rise in response to disappointment over the government's austerity package. The yield on six-month Treasury bills eased one basis point to 15.28 per cent, while the five-year government bond rose by only 5 basis points to 13.78 per cent. Trading was relatively light.

A statement by Mr Allan Larsson, Finance Minister, that further cuts in government spending would be contained in the January budget proposal helped soothed the market.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	102-30	+1/32	11.71	11.89	12.61
		9.000	03/00	86-10	-1/32	11.41	11.42	11.82
		9.000	10/08	84-24	-2/32	10.95	10.95	11.19
US TREASURY *		8.750	08/00	100-10	-20/32	8.69	8.63	8.83
		8.750	08/20	99-01	+21/32	8.84	8.77	8.98
JAPAN	No 119	4.800	06/99	[illegible]	+0.808	7.73	7.71	8.67
	No 129	6.400	03/00	94.1451	+0.775	7.46	[illegible]	8.25
GERMANY		8.500	08/00	97.0400	+0.120	8.96	8.96	9.12
FRANCE	BTAN	9.000	11/95	95.4829	+0.040	10.18	10.12	10.44
	OAT	8.500	03/00	89.3400	-0.140	10.30	10.23	10.59
CANADA *		10.500	07/00	96.2500	-0.400	11.14	11.22	11.23
NETHERLANDS		9.000	10/00	96.9600	+0.130	9.16	9.19	9.31
AUSTRALIA		13.000	07/00	97.9673	+0.211	13.37	13.41	13.63

London closing, *denotes New York closing

Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. — Closing prices on October 29

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	[illegible]	[illegible]		8.95
ALBERTA PROVINCE 9 3/8 95	400	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRIA 8 1/2 00	400	[illegible]	[illegible]	[illegible]	9.47
BANK OF TOKYO 8 3/8 96	100	[illegible]	[illegible]	[illegible]	[illegible]
BELGIUM 9 1/8 92	400	101	[illegible]	[illegible]	[illegible]
BFCE 7 3/4 97	150	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CANADA 9 96	1000	[illegible]	[illegible]	[illegible]	8.83
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NEW ZEALAND 4 7/8 99	200	81⅝	82⅝	[illegible]	8.01
QUEBEC HYDRO 5 08	100	76	77	+1	7.51
SKANDINAVISKA ENSK 6 1/2 95	100	99		+½	6.77
WORLD BANK 5 03	150	81½	82⅛	-½	7.27
WORLD BANK 7 1/4 92	100	100½	101	-⅛	6.90

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 95	30000	91⅞	92⅜	+⅛	7.69
CANADA 4 3/8 92	60000	94⅝	95		7.85
CREDIT FONCIER 5 1/4 94	20000	91	91½	+⅛	7.87
DENMARK 7 95	40000	97⅜	98	+⅛	7.63
EIB 4 5/8 94	40000	91	91½	+⅛	7.62
GENERAL ELECTRIC 5 3/4 93	35000	95⅛	95⅝	+⅛	8.02
INTER AMER DEV 7 1/4 00	30000	98⅛	98⅝	+⅛	7.47
ITALY 5 3/4 92	150000	97½	97⅞		7.80
KANSAI ELEC PWR 4 5/8 96	60000	90⅜	90⅞	+⅛	7.77
NIPPON TEL & TEL 5 7/8 96	50000	92	92⅝	+⅛	7.60
NORWAY 5 1/8 95	50000	90⅝	91⅛	+⅛	7.62
SWEDEN 5 5/8 95	20000	92⅛	92⅝	+⅛	7.70
WORLD BANK 6 3/4 00	50000	95⅛	95⅝	+⅛	7.48

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	[illegible]	[illegible]		10.07
KREDIETCORP 7 93 LFr	1000	[illegible]	[illegible]		10.10
WORLD BANK 8 96 LFr	1000	[illegible]	[illegible]		10.00
AMRO BANK 6 1/4 93 Fl	150	[illegible]	[illegible]		[illegible]
RABOBANK 5 3/4 93 Fl	150	[illegible]	[illegible]		[illegible]
ALBERTA PROVINCE 10 92 C$	500	[illegible]	[illegible]	[illegible]	[illegible]
BCE INC 9 5/8 93 C$	300	[illegible]	[illegible]	[illegible]	[illegible]
BELL CANADA 10 5/8 99 C$	150	[illegible]	[illegible]	[illegible]	[illegible]
BRITISH COLUMBIA 9 1/8 95 C$	150	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	[illegible]	[illegible]	[illegible]	[illegible]
ASDA-MFI 4 3/4 02 £	100	1.64	108⅜	109⅞	+47.40
BURTON GROUP 4 3/4 01 £	110	3.15	100⅜	102⅛	
EASTMAN KODAK 6 3/8 01	300	50.67	91⅛	92⅝	+20.09
GOLD KALGOORLIE 7 1/2 00	65	1.0554	70⅝	71⅝	+25.59
GOODYEAR TIRE 6 7/8 03	150	80⅛	51½	53⅛	
GRACE (WR) 6 1/4 02	150	42⅛	68⅛	69⅝	+45.30
GRAND MET 6 1/4 02 £	100	6.58	90⅛	91⅝	+5.58
HAWLEY 6 02 PREF	400	1.92	91⅞	93⅝	+41.11
HILLSDOWN 4 1/2 02 £	150	4.16	101⅛	102⅝	+64.73
INTL PAPER 5 3/4 02	200	68⅛	81⅞	82⅞	+18.38
LAND SECS 6 3/4 02 £	84	6.72	83⅛	84⅛	+11.44
MITSUBISHI BK 1 3/4 02	300	2727.1	77	79	0.00
OGDEN 6 02	85	39.077	63⅞	65⅛	+51.28
PACIFIC DUNLOP 6 3/4 97	75	3.749	97⅞	98⅞	+2.15
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	76⅛	77⅞	
THORN EMI 5 3/4 04 £	103	7.46	101	102⅛	+20.97

* No information available - previous day's price

‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday October 29,1990 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	50.8062	33.5021	39.5812
Albania	(Lek)	10.1127	5.1767	3.4135	4.0329
Algeria	(Dinar)	18.6081	9.5255	6.2812	7.4209
Andorra	(Fr Fr)	9.9175	5.0767	3.3476	3.9551
	(Sp Peseta)	185.05	94.7274	62.4641	73.7986
Angola	(Kwanza)	58.9375	30.1702	19.8948	23.5044
Antigua	(E Carr $)	5.288	2.7069	1.7849	2.1088
Argentina	(Austral)	10964.7	5612.8487	3701.1645	4372.7617
Aruba	(Florin)	3.5057	1.7900	1.1833	1.3980
Australia	(Aus $)	2.4960	1.2777	0.8425	0.9954
Austria	(Schilling)	20.80	10.6475	7.0210	8.2951
Azores	(Port Escudo)	259.80	132.9920	87.6962	103.6091
Bahamas	(Bahama $)	1.9535	1	0.6594	0.7790
Bahrain	(Dinar)	0.7199	0.3685	0.2430	0.2870
Balearic Is	(Sp Peseta)	185.05	94.7274	62.4641	73.7986
Bangladesh	(Taka)	69.00	35.3212	23.2911	27.5174
Barbados	(Barb $)	3.9991	2.0113	1.3296	1.5709
Belgium	(Belg Fr)	60.85	31.1492	20.5400	24.2671
Belize	(B $)	3.9170	2.0051	1.3221	1.5621
Benin	(CFA Fr)	495.88	253.8418	167.3856	197.7587
Bermuda	(Bermudian $)	1.9535	1	0.6594	0.7790
Bhutan	(Ngultrum)	35.00	17.9165	11.8143	13.9581
Bolivia	(Boliviano)	6.4337	3.2850	2.1717	2.5657
Botswana	(Pula)	3.6175	1.8518	1.2210	1.4426
Brazil	(Cruzado)	197.91	101.3104	66.8050	78.9272
Brunei	(Brunei $)	3.3318	1.7055	1.1246	1.3287
Bulgaria	(Lev)	5.3664	2.7470	1.8114	2.1401
Burkina Faso	(CFA Fr)	495.88	253.8418	167.3856	197.7587
Burma	(Kyat)	11.5780	5.9267	3.9081	4.6173
Burundi	(Burundi Fr)	319.50	163.5525	107.8481	127.4177
Cambodia	(Riel)	900.91s	460	304.1046	359.2861
Cameroon	(CFA Fr)	495.88	253.8418	167.3856	197.7587
Canada	(Canadian $)	2.2730	1.1635	0.7672	0.9064
Canary Is	(Sp Peseta)	185.05	94.7274	62.4641	73.7986
Cp. Verde	(CV Escudo)	127.713	65.3765	43.1098	50.9324
Cayman Is	(CI $)	1.6256	0.8300	0.5487	0.6482
Cent.Afr. Rep	(CFA Fr)	495.88	253.8418	167.3856	197.7587
Chad	(CFA Fr)	495.88	253.8418	167.3856	197.7587
Chile	(Chilean Peso)	607.07	310.7601	204.9181	242.1016
China	(Renminbi Yuan)	9.1727	4.6955	3.0962	3.6581
Colombia	(Col Peso)	1052.12	538.5820	355.1459	419.5892
Comoros	(CFA Fr)	495.88	253.8418	167.3856	197.7587
Congo (Brazz)	(CFA Fr)	495.88	253.8418	167.3856	197.7587
Costa Rica	(Colon)	192.285	98.4310	64.9063	76.6839
Côte d'Ivoire	(CFA Fr)	495.88	253.8418	167.3856	197.7587
Cuba	(Cuban Peso)	1.5599	0.7985	0.5265	0.6220
Cyprus	(Cyprus £)	0.8400	0.4299	0.2835	0.3349
Czechoslovakia	(Koruna)	46.57c	23.8392	15.7198	18.5722
		60.34t	30.8881	20.3679	24.0638
Denmark	(Danish Kroner)	11.2875	5.7780	3.8101	4.5014
Djibouti Rep	(Djib Fr)	336.00	171.9989	113.4177	133.9980
Dominica	(E Carrib $)	5.288	2.7069	1.7849	2.1088
Dominican Rep	(D Peso)	21.3296	10.9186	7.1998	8.5063
Ecuador	(Sucre)	1701.52	871.0110	574.3527	678.5722
		1625.62	832.1576	548.7324	648.3030
Egypt	(Egyptian £)	5.4875	2.8090	1.8523	2.1884
El Salvador	(Colon)	12.4125	6.3539	4.1898	4.9502
Equat'l Guinea	(CFA Fr)	495.88	253.8418	167.3856	197.7587
Ethiopia	(Ethiopian Birr)	4.0158	2.0556	1.3555	1.6015
Falkland Is	(Falk £)	1.00	0.5119	0.3375	0.3988
Faroe Is	(Danish Kroner)	11.2875	5.7780	3.8101	4.5014
Fiji Is	(Fiji $)	2.7920	1.4292	0.9424	1.1134
Finland	(Markka)	7.0308	3.5990	2.3732	2.8039
France	(Fr)	9.9175	5.0767	3.3476	3.9551
Fr. Cty/Africa	(CFA Fr)	495.88	253.8418	167.3856	197.7587
Fr. Guiana	(Local Fr)	9.9175	5.0767	3.3476	3.9551
Fr. Pacific Is	(CFP Fr)	175.00	89.5828	59.0717	69.7906

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Gabon	(CFA Fr)	495.88	253.8418	167.3856	197.7587
Gambia	(Dalasi)	14.7432	7.5470	4.9766	5.8796
Germany	(D Mark)	2.9625	1.5165	1	1.1814
Ghana	(Cedi)	640.00	327.6170	216.0337	255.2342
Gibraltar	(Gib £)	1.00	0.5119	0.3375	0.3988
Greece	(Drachma)	298.08	152.5876	100.6177	118.8753
Greenland	(Danish Krone)	11.2875	5.7780	3.8101	4.5014
Grenada	(E Carr $)	5.288	2.7069	1.7849	2.1088
Guadaloupe	(Local Fr)	9.9175	5.0767	3.3476	3.9551
Guam	(US $)	1.9535	1	0.6594	0.7790
Guatemala	(Quetzal)	11.0300	5.6462	3.7232	4.3998
Guinea	(Fr)	1214.27a	620	409.8801	484.2552
		587.55n	300	198.3291	234.3170
Guinea-Bissau	(Peso)	1273.02	651.6611	429.7113	507.6849
Guyana	(Guyanese $)	88.135	45	29.7502	35.1485
Haiti	(Goude)	9.7925	5	3.3054	3.9052
Honduras	(Lempira)	11.43	5.8510	3.8582	4.5583
Hong Kong	(HK $)	15.2130	7.7875	5.1351	6.0669
Hungary	(Forint)	118.63	60.7269	40.0438	47.3100
Iceland	(Icelandic Krona)	107.18	54.8656	36.1789	42.7437
India	(Indian Rupee)	35.00	17.9165	11.8143	13.9581
Indonesia	(Rupiah)	3731.40	1910.1100	1259.5443	1488.0957
Iran	(Rial)	125.70	63.9000	42.4303	50.1296
Iraq	(Iraqi Dinar)	0.6090	0.3117	0.2055	0.2428
Irish Rep	(Punt)	1.1045	0.5653	0.3728	0.4404
Israel	(Shekel)	3.9265	2.0099	1.3254	1.5659
Italy	(Lira)	2220.75	1136.8057	749.6202	885.6430
Jamaica	(Jamaican $)	15.2763	7.8199	5.1565	6.0922
Japan	(Yen)	250.75	128.3593	84.6413	100
Jordan	(Jordanian Dinar)	1.2682	0.6491	0.4280	0.5057
Kenya	(Kenya Shilling)	45.00	23.0355	15.1898	17.9461
Kiribati	(Australian $)	2.4960	1.2777	0.8425	0.9954
Korea North	(Won)	1.8997	0.9724	0.6412	0.7576
Korea South	(Won)	1399.57	716.4422	472.4286	558.1535
Kuwait	(Kuwaiti Dinar)§				
Laos	(New Kip)	1390.53	711.8146	469.3772	554.5483
Lebanon	(Lebanese £)	1359.9	696.1351	459.0379	542.3330
Lesotho	(Maluti)	4.9493	2.5335	1.6706	1.9737
Liberia	(Liberian $)	1.9535	1	0.6594	0.7790
Libya	(Libyan Dinar)	0.5239	0.2681	0.1768	0.2089
Liechenstein	(Swiss Fr)	2.5125	1.2861	0.8481	1.0019
Luxembourg	(Lux Fr)	60.85	31.1492	20.5400	24.2671
Macao	(Pataca)	15.7497	8.0622	5.3163	6.2810
Madagascar	(MG Fr)	2224.22	1138.5820	750.7915	887.0269
Madeira	(Port Escudo)	259.80	132.9920	87.6962	103.6091
Malawi	(Kwacha)	5.0150	2.5671	1.6928	2
Malaysia	(Ringgit)	5.2763	2.7009	1.7810	2.1042
Maldive Is	(Rufiya)	19.3108	9.8852	6.5184	7.7012
Mali Rep	(CFA Fr)	495.88	253.8418	167.3856	197.7587
Malta	(Maltese £)	0.5827	0.2982	0.1966	0.2323
Martinique	(Local Fr)	9.9175	5.0767	3.3476	3.9551
Mauritania	(Ouguiya)	154.290	78.9813	52.0810	61.5314
Mauritius	(Maur Rupee)	28.0892	14.3789	9.4815	11.2020
Mexico	(Mexican Peso)	5703.00	2919.3754	1925.0632	2274.3768
		5694.92d	2915.2393	1922.3358	2271.1545
Miquelon	(Local Fr)	9.9175	5.0767	3.3476	3.9551
Monaco	(French Fr)	9.9175	5.0767	3.3476	3.9551
Mongolia	(Tugrik)	6.5717	3.3555	2.2182	2.6208
Montserrat	(E Carr $)	5.288	2.7069	1.7849	2.1088
Morocco	(Dirham)	15.8210	8.0987	5.3404	6.3094
Mozambique	(Metical)	1806.26	924.6275	609.7080	720.3429
Namibia	(S A Rand)	4.9493	2.5335	1.6706	1.9737
Nauru Is	(Australian $)	2.4960	1.2777	0.8425	0.9954
Nepal	(Nepalese Rupee)	57.205	29.2833	19.3097	22.8135
Netherlands	(Guilder)	3.3400	1.7097	1.1274	1.3320
N'nd Antilles	(A/Guilder)	3.5057	1.7945	1.1833	1.3980
New Zealand	(NZ $)	3.1725	1.6240	1.0708	1.2652
Nicaragua	(Cordoba)	2448125.0	1253199.386	826371.308	976321.037
Niger Rep	(CFA Fr)	495.88	253.8418	167.3856	197.7587
Nigeria	(Naira)	15.5505	7.9603	5.2491	6.2015
Norway	(Nor. Krone)	11.5050	5.8894	3.8835	4.5882
Oman	(Rial Omani)	0.7536	0.3857	0.2543	0.3005

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	43.00	22.0117	14.5147	17.1485
Panama	(Balboa)	1.9535	1	0.6594	0.7790
Papua New Guinea	(Kina)	1.8398	0.9417	0.6210	0.7337
Paraguay	(Guarani)	2354.60	1205.3237	794.8016	939.0229
Peru	(Inti)	867452.9	444050.627	292811.105	345943.330
Philippines	(Peso)	49.00	25.0831	16.5400	19.5413
Pitcairn Is	(£ Sterling)	1.00	0.5119	0.3375	0.3988
	(NZ $)	3.1725	1.6240	1.0708	1.2652
Poland	(Zloty)	18493.0	9466.5984	6242.3628	7375.0747
Portugal	(Escudo)	259.80	132.9920	87.6962	103.6091
Puerto Rico	(US $)	1.9535	1	0.6594	0.7790
Qatar	(Riyal)	7.1309	3.6503	2.4070	2.8438
Reunion Is. de la	(F/Fr)	9.9175	5.0767	3.3476	3.9551
Romania	(Leu)	38.17	19.5100	12.8843	15.2225
Rwanda	(Fr)	139.82	71.5740	47.1966	55.7607
St Christopher	(E Carr $)	5.288	2.7069	1.7849	2.1088
St Helena	(£)	1.00	0.5119	0.3375	0.3988
St Lucia	(E Carr $)	5.288	2.7069	1.7849	2.1088
St Pierre	(French Fr)	9.9175	4.6071	3.0379	3.5892
St Vincent	(E Carr $)	5.288	2.7069	1.7849	2.1088
San Marino	(Italian Lira)	2220.75	1136.8057	749.6202	885.6430
Sao Tome	(Dobra)	295.15	151.0877	99.6286	117.7068
Saudi Arabia	(Riyal)	7.3313	3.7529	2.4747	2.9237
Senegal	(CFA Fr)	495.88	253.8418	167.3856	197.7587
Seychelles	(Rupee)	9.65	4.9398	3.2573	3.8484
Sierra Leone	(Leone)	332.94	170.4325	112.3848	132.7776
Singapore	($)	3.3318	1.7055	1.1246	1.3287
Solomon Is	($)	5.0296	2.5746	1.6977	2.0058
Somali Rep	(Shilling)	5131.27	2626.7059	1732.0742	2046.3688
South Africa	(Rand)	4.9493c	2.5335	1.6706	1.9737
		7.3848g	3.7802	2.4927	2.9450
Spain	(Peseta)	185.05	94.7274	62.4641	73.7986
Spanish Ports in N Africa	(Sp Peseta)	185.05	94.7274	62.4641	73.7986
Sri Lanka	(Rupee)	80.00	40.9521	27.0042	31.9042
Sudan Rep	(£)	8.8133o	4.5115	2.9749	3.5147
		22.42g	11.4768	7.5679	8.9411
Surinam	(Guilder)	3.4959	1.7895	1.1800	1.3941
Swaziland	(Lilangeni)	4.9493	2.5335	1.6706	1.9737
Sweden	(Krona)	10.9825	5.6219	3.7071	4.3798
Switzerland	(Fr)	2.5125	1.2861	0.8481	1.0019
Syria	(£)	41.1285	21.0537	13.8830	16.4021
Taiwan	($)	53.25	27.2587	17.9746	21.2362
Tanzania	(Shilling)	382.40	195.7512	129.0801	152.5024
Thailand	(Baht)	49.50	25.3391	16.7088	19.7407
Togo Rep	(CFA Fr)	495.88	253.8418	167.3856	197.7587
Tonga Is	(Pa Anga)	2.4960	1.2777	0.8425	0.9954
Trinidad/Tobago	($)	8.3236	4.2608	2.8096	3.3194
Tunisia	(Dinar)	1.6253	0.8319	0.5486	0.6481
Turkey	(Lira)	5388.20	2758.2288	1818.8016	2148.8334
Turks & Caicos	(US $)	1.9535	1	0.6594	0.7790
Tuvalu	(Australian $)	2.4960	1.2777	0.8425	0.9954
Uganda	(New Shilling)	952.00	487.3304	321.3502	379.6610
U A E	(Dirham)	7.1798	3.6753	2.4235	2.8633
United Kingdom	(£)	1.00	0.5119	0.3375	0.3988
United States	(US $)	1.9535	1	0.6594	0.7790
Uruguay	(Peso)	2678.0	1370.8727	903.9662	1067.9960
USSR	(Rouble)	1.0770	0.5513	0.3635	0.4295
Vanuatu	(Vatu)	225.65	115.5106	76.1687	89.9900
Vatican	(Lira)	2220.75	1136.8057	749.6202	885.6430
Venezuela	(Bolivar)	97.16	49.7363	32.7966	38.7477
Vietnam	(Dong)	12338.55	6316.1249	4164.9113	4920.6580
Virgin Is-British	(US $)	1.9535	1	0.6594	0.7790
Virgin Is-US	(US $)	1.9535	1	0.6594	0.7790
Western Samoa	(Tala)	4.5445	2.3263	1.5340	1.8123
Yemen	(Rial)	23.60	12.0808	7.9662	9.4117
Yemen PDR	(Dinar)	0.9029u	0.4621	0.3047	0.3600
Yugoslavia	(Dinar)	20.7397	10.6166	7	8.2710
Zaire Rep	(Zaire)	1447.62	741.0391	488.6481	577.3160
Zambia	(Kwacha)	78.10	39.9795	26.3628	31.1465
Zimbabwe	($)	4.9950	2.5569	1.6860	1.9920

Special Drawing Rights October 26,1990 United Kingdom £0.734030 United States $1.43591 Germany West D Mark 2.17727 Japan Yen184.443 European Currency Unit Rates October 29,1990 United Kingdom £0.696805 United States $1.36399 Germany West D Mark 2.06099 Japan Yen174.796

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar;§ Kuwait Dinar Unavailable.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday October 29,1990

NOTICE TO ALL HOLDERS OF HOME SHOPPING NETWORK, INC.'S 5½% CONVERTIBLE SUBORDINATED DEBENTURES

Due April 22, 2002

Home Shopping Network Inc.'s ("HSN") 5½% Convertible Subordinated Debentures due April 22, 2002 (the "Debentures") were originally convertible into HSN Common Stock at a conversion price of $25.80 per share pursuant to the terms and conditions of an Indenture dated April 22, 1987 ("Indenture"). A holder of the Debentures (hereinafter a "Holder") submitting a Debenture for conversion at that rate would receive 38 shares of HSN Common Stock for each $1,000 face value of Debentures submitted for conversion. A Supplemental Indenture executed May 15, 1987 and subsequent events resulted in HSN resetting the conversion price to $7.05 per share ("the Reset"). As a result of the Reset, a Holder submitting Debentures for conversion would receive approximately 103 additional shares (the "Additional Shares") for a total of 141 shares for each $1,000 face value of Debentures submitted for conversion.

On April 18, HSN filed suit in the U.S. District Court in Tampa, Florida contending inter alia, that Drexel Burnham Lambert, Incorporated ("Drexel") and others fraudulently induced HSN to enter into the Supplemental Indenture. By Notice dated May 4, 1988, HSN gave notice to Holders that, in the event of conversion, HSN would place a Notice Legend (the "Notice Legend") on the stock certificates representing the Additional Shares stating that if HSN prevailed in that litigation, the Additional Shares may be cancelled. In a subsequent notice dated June 13, 1988, HSN stated that it had filed a declaratory judgement action in that litigation and that it would not place the Notice Legend on any share certificates pending the District Court's decision on HSN's declaratory judgement action. Following an Order entered by the U.S. District Court on October 11, 1988, HSN upon conversion began placing the Notice Legend on certificates representing the Additional Shares.

On June 16 and June 21, 1989, certain Holders of Debentures filed class action suits against HSN in the Court of Chancery of the State of Delaware seeking, inter alia, a declaration that the Reset is valid and also seeking an injunction preventing HSN from placing a Notice Legend on any of the share certificates issued upon conversion of the Debentures.

By Opinion dated August 14, 1990 and subsequent Order dated August 31, 1990, Vice Chancellor Jack B. Jacobs certified a Class as consisting of all Debenture holders on or after May 4, 1988, provided, however, that Drexel, Drexel Burnham Lambert International, Ltd., Michael R. Milken, Allen Rosenthal and Joel R. Gold shall not be included in the Class to the extent they were or are the beneficial owners of any Debentures (hereinafter the "Class"). As to the Class, Vice Chancellor Jacobs (1) granted Plaintiffs' Motion for Summary Judgement on liability, concluding that Section 508 of the Indenture and applicable sections of the Uniform Commercial Code preclude legending of the Additional Shares issued on conversion of the Debentures, (2) declared the placement of the Notice Legend on the Additional Shares to be invalid, (3) permanently enjoined HSN from placing any such Notice Legend on the Additional Shares, and (4) directed HSN to issue unlegended shares in exchange for legended shares previously issued.

Any Debenture holder wishing to receive a copy of Vice Chancellor Jacobs' opinion should contact Bankers Trust Company, Corporate Trust and Agency Group, 4 Albany Street, New York, New York 10015.

THIS NOTICE IS GIVEN BY
HOME SHOPPING NETWORK, INC.
PURSUANT TO AN ORDER OF THE
HONORABLE JACK B. JACOBS
VICE CHANCELLOR OF THE COURT
OF CHANCERY OF THE STATE OF DELAWARE.

Nissho Iwai International Finance (Cayman) Limited

U.S.$300,000,000 Floating Rate Notes Due 1991

Notice is hereby given that the rate of interest has been fixed at 8.1875% and that the interest payable on the relevant interest payment date, January 29, 1991 against Coupon No. 4 in respect of US$100,000 nominal of the Notes will be US$2,069.62.

October 30, 1990, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

ECU 150,000,000
IRELAND
Floating Rate Notes due 1997

Notice is hereby given that the Rate of Interest has been fixed at 10.1875% and that the interest payable on the relevant Interest Payment Date, April 30, 1991 against Coupon No. 12 in respect of ECU 10,000 nominal of the Notes will be ECU 515.03.

October 30, 1990, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

Yankee bonds find favour with new issue houses

By Tracy Corrigan

THE widening of spreads in the Eurobond market over the last few months appears to have tipped the balance in favour of the Yankee bond market. Yesterday, BP America and the Province of Alberta both announced $300m offerings in the Yankee bond market – the US domestic market for international borrowers.

The Eurobond market has underperformed the US bond market recently, because it is more sensitive to movements in the dollar. Consequently, the US market now offers cheaper funding, at least for corporate borrowers.

The pricing of BP's 10-year Yankee deal via Goldman Sachs was indicated at around ⅞ point above the comparable US Treasury. An official at BP in London said the company would have had to pay around 15 basis points more to tap the Eurobond market, and would have been unable to bring such a large issue. He added that BP's first dollar funding in 18 months would be used to refund short-term debt. The Alberta deal, a seven-year transaction via Merrill Lynch, was expected to be priced to yield around 65 basis points above comparable Treasuries.

Further, execution of the deals was said to be cleaner in the US. "Notionally the [Eurobond and US] markets are trading quite close. But there is just no demand for Eurodollar bonds," one trader observed.

However, there does seem to have been some consolidation of Eurobond spreads at current levels, particularly for sovereign and supranational names.

Meanwhile, the Eurobond market got off to a slow start this the week.

A landslide general election victory for the National Party in New Zealand rid the Kiwi bond market of any residual uncertainty, paving the way for a new Eurobond issue. In fact, the bond market was flat in the wake of the election victory, partly because the change of government was widely expected and partly because the new government's economic policies bear a close resemblance to those of the departing Labour Party.

The New Zealand bond market has underperformed the bullish Australian dollar market in recent months, re-establishing a somewhat wider yield differential between the markets. Nevertheless, New Zealand dollar-denominated Eurobonds, like Telecom Corporation of New Zealand's NZ$50m deal launched yesterday by Fay Richwhite, still rely on investors with funds to reinvest from redemptions of outstanding issues. Telecom's two-year 14½ per cent bonds were bid on full fees of 1¼ points. In the Swiss market, the Japanese government-guaranteed Small Business Finance Corporation launched a SFr120m five-year deal via Swiss Bank Corp. The 7½ per cent bonds traded within fees.

INTERNATIONAL BONDS

Portugal to sell 33% of state bank within weeks

By Patrick Blum in Lisbon

THE partial privatisation of Banco Portugues do Atlantico (BPA), Portugal's largest state-owned commercial bank, is to go ahead within the next few weeks with the public flotation of 33 per cent of the bank's capital.

The issue is likely to affect the timing and quantity of future state disposals.

The bank has an estimated stock market value of Es180bn ($1.3bn) and as such poses a substantial test for stockmarket liquidity.

Despite the programme's undoubted success to date the sale of BPA will place a much higher demand on local investors.

The programme has included the 80 per cent privatisation of Banco Totta e Acores, the 100 per cent sale of insurers Tranquilidade and of brewers Unicer, and the partial sale of Centralcer, another brewery, along with several other smaller privatisations.

For this reason, the government has been especially cautious in preparing the sale.

An exact date has yet to be fixed, but the general conditions for the bank's privatisations have been agreed.

Altogether 6.6m shares will be on offer, with 1.65m shares – representing 25 per cent of shares being sold – reserved for employees, small investors and emigrants, and 1.32m shares – representing 20 per cent of the shares on offer – reserved for holders of the bank's participation certificates. The remaining 3.63m shares will be offered for public subscription.

The government intends to maintain strict limits on the purchase of shares in an effort to encourage a wide range of domestic investors.

Single investors will be limited to a maximum 10 per cent and foreign investors to 5 per cent of privatised shares.

The bank's privatisation is expected to be completed next year in two more stages, along with that of other financial institutions. All banks, insurance and investment companies earmarked for privatisation are to be sold by end-1991.

Merrill Lynch details restructuring

By Nikki Tait in New York

MERRILL Lynch, the largest US securities firm, yesterday unveiled details of a management shake-up which will end the firm's two-sector structure and replace this with six divisional units.

In the past, Merrill has divided its operations into two organisational units: capital markets, which included investment banking as well as debt markets, and the like, and consumer markets.

The latter incorporated all the retail brokerage operations.

Now, Merrill is stripping away these two layers and creating six divisions, whose heads will report directly to Mr Dan Tully, the company's president and chief operating officer, and Mr William Schreyer, its chairman.

The six divisions are private client; asset management; insurance; investment banking; debt markets; and equity markets. There will be four newly-elected executive vice presidents as a result of the move: Mr Barry Friedberg (investment banking); Mr David Komansky (equity markets); Mr Roger Vassey (debt markets); and Mr Arthur Zeikel (asset management).

Dan Tully: man at the top of the revised structure

Two current executive vice presidents, M John Steffens and Mr Thomas Patrick, will head private client and insurance respectively.

Mr Steffens was the former head of the consumer markets sector.

Mr Jerome Kenney, who previously led the capital markets sector moves to take charge of a support division, namely corporate strategy and research.

Merrill, which is already engaged in cost-cutting and took a $470m charge earlier this year to pay for lay-offs, said that "a few hundred" jobs will probably be lost by the end of the year as a result of the reorganisation.

The company has already seen several management shake-ups in recent months.

Departures have included Mr Raymond Minella and Mr Jeffrey Berenson, the joint heads of the merchant banking/junk bond operations who were relieved of their duties in June and have since quit.

● Nikko International, the US subsidiary of Japan's Nikko Securities, has expanded its presence in the US by joining the American Stock Exchange.

Mr Hideo Suzuki, chairman, said: "With the addition of the Amex membership, Nikko International expects to provide its global client base with more efficient order executions". Nikko International is also a member of the New York, Boston and Pacific stock exchanges, and the Chicago Board of Trade and Mercantile Exchange.

CBOE to widen product base

By Barbara Durr in Chicago

THE Chicago Board Options Exchange (CBOE), the world's largest options market, has received approval from the Securities and Exchange Commission (SEC) to trade traditional security products, including common and preferred stocks, warrants, and bonds.

The CBOE's immediate plans are not, however, to start trading individual equities or bonds but to launch trading in more derivative-like products such as FTSE and Nikkei warrants.

The exchange filed earlier this year to list warrants on foreign and domestic indexes.

CBOE executive vice-president Mr Richard DuFour said that these products are a more logical extension of the exchange's business and "the driving force behind what we're doing".

CBOE members have had access to trading individual equities through the Cincinnati Stock Exchange, an electronic exchange that is owned and operated by the CBOE.

But the exchange wanted to allow its marketmakers to trade security products directly on its own trading floor.

The CBOE expects to be able to launch its new securities trading in a matter of weeks.

It is awaiting approval for participation in US security market reporting and linkage systems, including Consolidated Tape Association and the Intermarket Trading System.

CBOE currently lists options on 239 equities and both the Standard & Poor's 100 index and 500 index, US Treasury notes and bonds, and short-term and long-term interest rates.

Spanish brokers set up fund for foreign investors

THE Spanish brokerage firm Asesores Bursatiles Valores has set up a capital investment fund for overseas investors interested in unlisted Spanish companies, AP-DJ reports from Madrid.

Asesores hopes the close-ended fund will attract around Pta10bn from institutional investors in the US, France, Germany, the UK and Japan.

The brokerage firm will identify suitable unlisted Spanish companies undertaking development projects and looking for investors.

Investment would guarantee a negotiated minority stake in the company and representation on the board of directors.

Companies in the distribution, food products and construction materials sectors will be targeted.

The Asesores Bursatiles Capital Fund has a strict eight-year limit before investors can recoup gains on their original investment.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
NEW ZEALAND DOLLARS						
Telecom Corp (NZ)(a)◆	50	14½	101.95	1992	1⅛/¾	Fay Richwhite (UK)
SWISS FRANCS						
Small Bus.Fin.Corp.(a)★★◆	120	7½	101	1995	-	SBC
YEN						
Banca CRT(a)◆	11bn	8	100.955	1992	1⅛/¾	Nomura Int.

★★Private placement. §Convertible. #With equity warrants. †Floating rate note. ◆Final terms. a) Non-callable.

IBJ in A$500m debt programme

IBJ Australia Bank, a subsidiary of the Industrial Bank of Japan, has set up a A$500m international debt securities programme, writes Simon London.

The five-year programme allows the bank to issue certificates of deposit and medium-term notes in Australian dollars, US dollars and Ecu. Paper issued under the programme will be targeted mainly at Far Eastern investors, although the dealer group includes two London-based institutions. Morgan Securities Asia.

Tokyo bank in Brazil deal

By Victoria Griffiths in San Paulo

THE Long-Term Credit Bank of Japan is to acquire 47 per cent of the capital and 33 per cent of the voting shares in Banco Omega, a Brazilian investment bank based in Rio de Janeiro.

The move is part of the administration's attempt to attract foreign capital into Brazil. The Ministry of the Economy said the participation marks the entry of "fresh money" – investment not tied to existing debt – into the country.

Mr Marcio Faria, director of Omega, said the bank would use the link to woo the Japanese and Brazilian-Japanese business community. According to Mr Faria, there are some 500 subsidiaries of Japanese companies in Brazil.

Banco Omega will act as an adviser to the Long-Term Credit Bank of Japan on the Japanese institution's large portfolio of Brazilian loans. Banco Omega also hopes to use the connection to participate more actively in the profitable secondary debt market.

Soffex sets date for SMI futures

By Deborah Hargreaves

THE SWISS Options and Financial Futures Exchange (Soffex) has set a date for the launch of its first futures contract based on the Swiss Market Index. The launch of SMI futures on November 9 will make it the first futures contract to be traded on a fully electronic trading and clearing system. The Soffex system is a model for the Deutsche Terminbörse which announced last week it will start futures trading on November 23.

Accountancy fees rise 35%

By David Waller

PRICE Waterhouse, the accountancy and management consultancy firm, yesterday announced its fees in Europe grew by 35 per cent to SFr1.51bn in the year to the end of June.

Audit and business advisory fees rose by 34 per cent to SFr772m; management consultancy by 39 per cent to SFr357m and tax services by 32 per cent to SFr342m.

In the UK, fees grew by 34 per cent to £320.8m, with 27 per cent growth from audit work to £133.3m. There was a 41 per cent increase in management consultancy income to £92.3m and a 34 per cent rise in tax business to £79.4m.

The figures demonstrate the resilience of professional services organisations in difficult economic times. Direct evidence that the accountants are benefiting from the recession came from the corporate reconstruction and insolvency department, where UK fees increased by 63 per cent to £15.8m.

Correction

British Land

The terms of a syndicated loan for British Land have not been changed as was stated yesterday. The size of the facility was recently reduced.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Oct 29 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri Oct 26 Index No.	Thu Oct 25 Index No.	Wed Oct 24 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (196)	698.00	+0.2	15.82	6.82	7.72	31.87	696.40	706.18	714.59	860.88
2	Building Materials (26)	932.65	-0.1	15.74	6.55	7.82	40.76	933.82	954.69	975.06	1016.23
3	Contracting, Construction (35)	1125.25	+0.3	17.01	7.10	7.62	58.05	1121.95	1145.45	1156.60	1351.51
4	Electricals (10)	1899.26	+0.8	14.80	7.09	8.27	84.91	1884.26	1880.00	1881.24	2470.06
5	Electronics (26)	1568.38	+0.3	10.72	5.46	12.76	58.17	1564.11	1574.12	1582.94	1902.22
6	Engineering-Aerospace (8)	413.53	+0.7	16.37	5.09	7.34	15.45	410.71	418.61	417.65	0.00
7	Engineering-General (47)	356.40	+0.1	16.81	7.29	7.15	17.38	356.03	360.66	359.70	0.00
8	Metals and Metal Forming (8)	402.65	+1.0	28.30	8.29	4.30	17.02	398.67	399.59	399.58	449.25
9	Motors (13)	268.14	-0.2	18.89	8.97	6.17	14.53	268.79	276.46	279.24	366.75
10	Other Industrial Materials (23)	1149.54	+0.2	14.67	7.09	7.88	60.27	1147.45	1160.51	1190.54	1505.54
21	CONSUMER GROUP (176)	1186.90	....	10.27	4.30	12.05	31.51	1186.36	1197.35	1213.45	1222.65
22	Brewers and Distillers (22)	1480.08	+0.2	10.56	3.99	11.47	33.61	1477.83	1510.07	1528.17	1375.28
25	Food Manufacturing (18)	1004.91	-0.1	11.55	4.86	10.69	29.13	1006.29	1014.79	1017.45	1092.72
26	Food Retailing (16)	2255.29	-0.4	9.26	3.24	14.07	52.68	2263.72	2283.05	2375.93	2275.95
27	Health and Household (16)	2439.78	....	7.25	3.05	16.31	50.32	2438.50	2439.46	2469.47	2425.50
29	Leisure (32)	1192.51	+0.2	12.57	5.44	9.63	44.58	1190.54	1202.38	1209.81	1500.36
31	Packaging & Paper (12)	478.37	+0.1	13.46	7.28	9.13	22.95	478.04	484.19	486.97	523.40
32	Publishing & Printing (14)	2867.81	-0.3	12.51	6.53	10.01	126.51	2875.28	2911.23	2935.13	3489.43
34	Stores (34)	790.79	+0.4	11.19	4.66	11.62	19.51	787.79	792.49	803.43	758.85
35	Textiles (12)	417.89	+0.3	14.29	8.49	8.88	20.45	416.56	421.56	424.10	510.43
40	OTHER GROUPS (107)	953.71	+0.1	12.97	6.15	9.38	32.16	953.02	967.85	976.93	1082.70
41	Agencies (15)	985.48	-0.5	10.82	3.38	11.19	22.25	990.68	1001.01	1019.75	1488.44
42	Chemicals (24)	990.14	+0.7	13.53	6.72	8.86	46.81	983.67	996.84	1000.44	1167.75
43	Conglomerates (15)	1249.14	-0.7	13.59	8.02	8.87	38.53	1258.21	1298.15	1327.99	1533.75
44	Transport (14)	1843.91	-0.1	13.17	5.69	9.62	67.29	1845.55	1875.69	1900.65	2104.76
46	Telephone Networks(3)	1059.57	+0.6	12.35	5.16	10.54	26.09	1052.78	1060.68	1063.42	1050.07
47	Water(10)	1974.45	+0.1	14.87	6.86	7.61	68.12	1971.98	1963.61	1981.76	0.00
48	Miscellaneous (26)	1484.81	-0.3	12.63	6.07	9.20	61.84	1488.89	1524.41	1519.30	1781.32
49	INDUSTRIAL GROUP (479)	995.88	+0.1	12.31	5.42	9.97	32.81	994.94	1007.11	1019.06	1103.17
51	Oil & Gas (21)	2298.29	-0.3	9.74	5.43	13.41	85.44	2305.65	2313.48	2322.53	2118.50
59	500 SHARE INDEX (500)	1102.44	....	11.90	5.42	10.38	37.07	1102.12	1114.06	1125.89	1188.47
61	FINANCIAL GROUP (103)	671.67	-0.4	-	7.08	-	32.89	674.29	686.65	691.37	739.20
62	Banks (9)	707.25	-0.4	23.13	8.15	5.66	42.00	710.25	730.22	739.65	727.29
65	Insurance (Life) (7)	1265.91	-0.1	-	6.07	-	55.82	1267.47	1281.63	1294.93	1238.98
66	Insurance (Composite) (6)	574.08	-0.6	-	7.40	-	32.08	577.29	583.67	586.99	639.27
67	Insurance (Brokers) (8)	864.30	+0.8	8.69	7.43	15.07	41.94	857.60	862.19	846.47	1040.06
68	Merchant Banks (7)	342.88	-1.6	-	5.97	-	12.75	348.63	347.88	346.33	389.35
69	Property (45)	915.43	-0.5	7.98	5.33	16.54	23.45	920.09	938.85	940.52	1152.61
70	Other Financial (21)	243.78	+0.2	11.66	7.16	11.02	11.83	243.33	244.57	244.54	315.07
71	Investment Trusts (66)	1004.71	+0.1	-	3.97	-	25.91	1004.02	1016.36	1012.82	1181.34
91	Overseas Traders (5)	1100.11	-1.0	13.00	8.40	9.16	69.98	1111.05	1131.00	1149.34	1350.50
99	ALL-SHARE INDEX (674)	997.43	....	-	5.63	-	35.66	997.77	1009.72	1019.54	1080.79

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 26	Oct 25	Oct 24	Oct 23	Oct 22	Year ago
FT-SE 100 SHARE INDEX§	2062.1	-1.0	2063.4	2052.6	2063.1	2088.7	2110.5	2127.0	2102.0	2142.6

FIXED INTEREST

	PRICE INDICES	Mon Oct 29	Day's change %	Fri Oct 26	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	118.18	+0.02	118.16	-	10.24
2	5-15 years	122.39	-0.02	122.42	-	11.95
3	Over 15 years	123.94	-0.12	124.09	-	9.84
4	Irredeemables	138.20	-0.15	138.41	-	13.46
5	All stocks	122.96	-0.02	122.98	-	11.31
	Index-Linked					
6	Up to 5 years	155.10	+0.16	154.85	-	3.04
7	Over 5 years	138.68	+0.15	138.48	-	3.45
8	All stocks	139.81	+0.15	139.60	-	3.42
9	Debentures & Loans	101.85	-0.18	102.04	-	9.29
10	Preference	73.17	+0.05	73.14	-	5.40

	AVERAGE GROSS REDEMPTION YIELDS		Mon Oct 29	Fri Oct 26	Year ago (approx.)
	British Government				
1	Low	5 years	10.56	10.56	9.93
2	Coupons	15 years	10.87	10.84	9.61
3		25 years	10.88	10.85	9.51
4	Medium	5 years	11.54	11.54	10.98
5	Coupons	15 years	11.30	11.28	10.00
6		25 years	11.14	11.12	9.64
7	High	5 years	11.64	11.63	11.09
8	Coupons	15 years	11.52	11.51	10.20
9		25 years	11.43	11.41	9.79
10	Irredeemables†		11.00	10.98	9.56
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.10	4.16	3.66
12	Inflation rate 5%	Over 5 yrs.	4.38	4.39	3.59
13	Inflation rate 10%	Up to 5 yrs.	2.86	2.92	2.81
14	Inflation rate 10%	Over 5 yrs.	4.19	4.20	3.42
15	Debs &	5 years	13.89	13.19	13.76
16	Loans	15 years	12.93	12.77	12.27
17		25 years	12.46	12.46	11.80
18	Preference†		12.99	12.99	10.69

§Opening index 2056.5; 9 am 2057.5; 10 am 2052.9; 11 am 2059.7; Noon 2062.0; 1 pm 2061.4; 2 pm 2062.2; 2.30 pm 2062.3; 3 pm 2059.6; 4.10 pm 2061.8; (a) 3.42pm (b) 10.10am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	19	37	30
Corporations, Dominion and Foreign Bonds	1	6	14
Industrials	241	329	982
Financial and Properties	116	153	472
Oils	15	28	46
Plantations	2	1	7
Mines	21	45	87
Others	32	89	89
Totals	447	688	1,727

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
77	Nil	-	13pm	8½pm	Bryant Group	11½pm	+2
140	Nil	-	5pm	3pm	MTM 5p	5pm	
220	F.P.	23/7	255	195	Ratners	195	
180	Nil	-	27pm	20pm	Sinclair (Wm.) Hldgs	27pm	
5	Nil	-	8pm	5pm	Sycamore Hldgs. 5p	6pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ǂ Issued by tender. ǂ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ø Unlisted securities market. * Third Market. ǂ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

● First Dealings Oct. 29
● Last Dealings Nov. 9
● Last Declarations Feb. 7
● For settlement Feb. 18

For rate indications see end of London Share Service

Calls in ADT, Brent Walker, Kelt Energy, Next, NSM, TVS and Thames TV. Put in Ratners. Put and call in Aviva Petroleum.

LONDON TRADED OPTIONS

DERIVATIVE MARKETS saw exceptionally thin business with the London Traded Options Market experiencing one of the quietest days this year and the Liffe seeing only around 3,000 FT-SE futures traded.

Analysts said the hollow volumes represented a classic bear market and reflected complete indecision by investors.

Mr Tony Norman of broker BZW said: "A lot of people are looking at the market full-time and making no decisions. People are not prepared to take a view."

Mr Julian Bugeja of securities house James Capel said that with the lack of any news either way on the Gulf the market was merely responding to rumour.

By the close of business turnover in the options market was 19,861 contracts (12,777 puts and 7,084 calls) – about two-thirds normal volume – according to official Stock Exchange figures.

Almost half of the business (7,352 contracts) was done in FT-SE index options where turnover was helped by the approaching expiry of the October FT-SE contract tomorrow.

Among the equity options Hanson was the top trader after Capel exchanged 750 contracts shortly before the close to put the turnover at 2,171. The only other stock to break the 1,000-barrier was British Airways with 1,450 lots dealt.

Moderate business was done in Barclays (999 lots), Rolls-Royce (859), Lasmo (723), the Euro FT-SE, P&O and GKN.

On the Liffe, dealers traded only 3,154 FT-SE futures, all but nine in the December issue.

The December future moved within a narrow 10-point band but always below fair value, the level which brokers calculate the futures market should be trading at to take account of future dividend payments and the cost of finance.

It closed at 2,089, eight points below the estimated fair value of 35. Dealers had expected it to end lower on the day but it was helped by the boost that the setting of the US budget gave to to the Dow Jones.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*465)	460	30	40	55	20	27	32
	500	14	29	37	45	50	53
	550	5	14	-	93	95	-
ASDA (*121)	120	12	16	20	7	10	12
	130	8	11	16	13	16	18
	140	4	7	9	20	23	24
Brit. Airways (*141)	140	12	16	19	11	16	18
	160	[illegible]	10	12	27	30	[illegible]

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Trafalgar (*172)	160	25	29	35	13	18	24
	180	15	20	26	28	30	34
Utd. Biscuits (*312)	300	31	37	44	8	15	17
	330	14	22	28	24	30	32
Unilever (*657)	650	44	65	80	26	36	42
	700	21	42	55	55	64	69
Ultramar (*[illegible])	300	36	45	53	9	12	16
	330	22	28	37	23	25	27

Option		Calls Dec.	Calls Mar.	Calls Jun.	Puts Dec.	Puts Mar.	Puts Jun.
Amstrad (*59)	50	12	15	17½	2	3½	5
	60	5½	9	12	5	7½	9
Barclays (*346)	330	28	46	48	11	20	25
	357	15	-	-	21	-	-
Blue Circle (*204)	200	17	27	29	8	14	17
	220	7	17	21	21	25	28
British Gas (*216)	200	22	27	34	2½	6	8
	220	10	14	21	8	12	15

[illegible]

UK COMPANY NEWS

Withholding of Polly Peck assets is firmly denied

By David Barchard

REPORTS THAT assets belonging to Polly Peck International in Turkey and northern Cyprus might be withheld from the administrators were firmly denied yesterday.

Mr Tahsin Karan, chief executive of Vestel Elektronik, one of Polly Peck's two main subsidiaries in Turkey, said he would co-operate fully with the administrators who were appointed last week by a High Court judge in London.

"Vestel is a Polly Peck subsidiary," Mr Karan said. "They (the administrators) represent our shareholders. This is not a private company. I have 10,000 shareholders and I will comply with whatever is legally required." Polly Peck owns 82 per cent of Vestel, which is listed in Istanbul.

Mr Karan denied reports published at the weekend claiming that he had said that London could not interfere with Vestel.

Mr Asil Nadir, chairman of Polly Peck, also strongly denied reports that Vestel shares had been transferred out of the ownership of the group and that he had left the UK.

"As you can see, I am still here," Mr Nadir said, adding that he was contemplating legal action against newspapers which had claimed that he had flown to Istanbul and Cyprus.

Meanwhile in northern Cyprus, there was uncertainty about the position of Mr Ilker Nevzat, the man in charge of Polly Peck's operations on the island. Mr Nevzat's brother is married to Mr Nadir's younger sister.

Turkish and Cypriot newspapers said Mr Nevzat had resigned after a dispute with Mr Nadir about over whether or not he should sign bank loan documents last week.

Mr Unal Akif, a Polly Peck manager in London handling business in the Far East and a former chairman of the Turkish Cypriot state citrus export company, was named as his replacement with effect from November 1.

However, a press spokesman for Sunzest, Polly Peck's citrus export company in northern Cyprus, said that as far as he was aware, Mr Nevzat was still continuing to run the company.

Scholar steps down as Tottenham director

By Andrew Hill

MR IRVING Scholar has stepped down as a director of Tottenham Hotspur in the hope that his resignation may clear the way for the group's plans to raise more capital.

However, Mr Scholar is to remain chairman of the football club itself.

Mr Scholar was one of only two company directors who knew of the existence of a secret agreement with Mr Robert Maxwell.

At the beginning of August Mr Scholar invited Mr Maxwell to underwrite a £13m Spurs rights issue through Headington Investments, a vehicle for the publisher and his family which would have been left with a large stake in the company.

Mr Douglas Alexiou, acting chairman of the Spurs holding company, would not comment yesterday on the possibility that the resignation had been prompted by a continuing boardroom feud between Mr Scholar and Mr Paul Bobroff, who was sacked as company chairman last month but is still on the board.

"[Mr Scholar] felt that in view of the uncertainty it would be in the best interests of the company if he did stand down in the hope that this would defuse the situation and allow the company to proceed with its capital-raising exercise," Mr Alexiou said.

Apart from negotiating a secret deal with Mr Scholar, Mr Maxwell also advanced £1.1m to the club chairman's private company, which then lent the same sum to Spurs. Mr Scholar was supposed to repay the loan by yesterday, but a Maxwell spokesman said the loan period had been extended.

Mr Alexiou said Spurs still hoped to publish a circular explaining the last three months' developments "as soon as possible". The Stock Exchange suspended Spurs' shares 10 days ago because "insufficient public information" was available.

"I'm hopeful that we will get over all our difficulties and have a good future, but we have got to work towards that and there is a lot of work to be done," said Mr Alexiou. "All that matters now is getting a circular out and that is what is occupying the attentions of the company and all its advisers."

Former Dalgety chief paid £0.75m

By Clay Harris

DALGETY, the food and agribusiness group, paid about £750,000 in compensation to Mr Terry Pryce, who left abruptly in September 1989 after eight years as chief executive.

The figure includes £608,000 to buy out Mr Pryce's service contract. The balance, on which Dalgety declined yesterday to put a precise figure, was intended to augment his pension.

Dalgety paid a total of £887,000 to former directors in 1989-90 to compensate for loss of office, according to its annual report. The accounts also disclosed that Mr Maurice Warren, chief executive, was paid £243,652 in the year to June 30, compared with Mr Pryce's £224,231 in 1988-89.

Peel to sell its stake in Mersey Docks

By Clare Pearson

PEEL HOLDINGS, the property company chaired by Mr John Whittaker, yesterday announced its intention to sell its 10.82 per cent stake in The Mersey Docks and Harbour Company.

Put together with shares held by the government, this means that 31.5 per cent of the shares in Mersey Docks are now up for sale.

However, the Manchester Ship Canal Company, controlled by Greathey Investments, a company indirectly owned by Mr Whittaker's family, retains a 10.17 per cent stake.

The government has said it will not sell its shares until the outcome of an investigation into possible insider dealing in Mersey Docks shares is known.

Peel's announcement appears to put to an end the long-running speculation – which has surfaced periodically since it first acquired a 10 per cent holding three years ago – that it would launch a bid for Mersey Docks.

Mersey Docks' shares closed down 2p at 178p. Peel's were unchanged at 138p.

Yesterday Mr Whittaker said: "Peel is now concentrating its resources on property investment, and the shareholding in Mersey Docks plays no part in this strategy."

Mr Paul Wainscott, Peel's company secretary, stressed that the Mersey Docks stake was acquired before Peel bought London Shop, the retail property developer, for £304m in early 1989.

Peel's gearing stands at more than 100 per cent and the company has said it would like to reduce borrowings.

At yesterday's closing price, Peel's stake in Mersey Docks was valued at about £11.57m. The bulk of the holding is thought to have been acquired at about 90p per share.

Manchester Ship Canal's stake has been built up from a 6 per cent holding acquired in a dawn raid on Mersey Docks in May.

The complex complexion of convertibility

Maggie Urry examines the listing document of Brent Walker's £103.3m bond issue

SHAREHOLDERS IN Brent Walker who obtained early copies of the group's listing particulars, issued yesterday in connection with a £103.3m convertible bond issue, were still puzzling over the fine print last night.

They are being asked to vote in favour of the bond issue at a special meeting on November 15. However, the document told them that discussions with the group's bankers about the high level of debt and the covenants relating to the debt were continuing. There is a fear that if the bond issue does not go ahead, the "variation of existing banking arrangements" described in the document may be put in jeopardy.

One institutional shareholder said that the document raised more questions than it answered. Another suggested: "They have got a gun to our heads. The convertible issue will dilute the hell out of existing holders. Shareholders do not seem to have been represented at all at these discussions."

However, other shareholders were more hopeful. One said: "I believe the value of the assets will out in the end." He said that although the dilution would mean that existing shareholders would not get the full benefit of any recovery, the group's inability to sell assets and its heavy debts had put it in a difficult position.

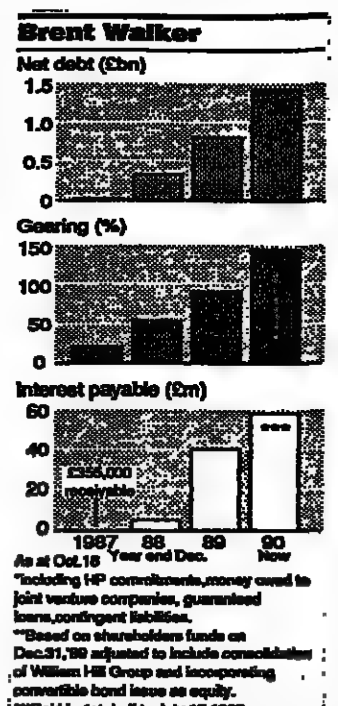
The listing particulars show that the group's net debt had risen sharply to £1.4bn at October 16, if all the possible liabilities are included – such as £129.1m of guarantees the group has given on loans, and contingent liabilities of £52.9m. At the July 15 balance sheet, which Brent Walker published with its interim results a month ago, net debt was shown at £1.15bn.

Of the total debt, only £350m relating to last December's acquisition of William Hill, the betting shop chain, and a £11.3m overdraft have been made on a secured basis. Unsecured bank loans total £621m.

In his letter to shareholders, Mr George Walker, chairman, repeated earlier assertions that planned disposals of assets had not been possible at fair prices, and the bond issue had been launched as an alternative source of funds.

The sale of Goldcrest, the group's film business, for $33m (£17m) plus a possible further $4m depending on the profits of All Dogs Go to Heaven, a new cartoon film, illustrates the problems the group has had in making asset sales.

A year ago there were hopes that a sale price of £90m might be achieved, and last month Mr Walker mentioned £30m as a possible price. Even now the buyers, Harestock, a company formed by the management, are only putting up $10m in cash, with instalments of $15m and $8m following after six and 12 months.



*Including HP commitments,money owed to joint venture companies, guaranteed loans,contingent liabilities.
**Based on shareholders funds on Dec.31,'89 adjusted to include consolidation of William Hill Group and incorporating convertible bond issue as equity.
***Paid in 1st. half to July 15,1990

Within the small print of the listing particulars there are details of sale and leaseback deals covering group properties. Also detailed is an agreement with Standard Chartered Bank, dated last Friday, under which Brent Walker will sell more than £40m-worth of its pubs to a shelf company, with the option of buying the properties back. This was a means of injecting £40m into Brent Walker quickly.

The high level of debt does mean that the group must renegotiate its loan covenants with its bankers and obtain a waiver for any breaches of covenants which may have occurred already.

In his letter, Mr Walker says that the bankers have agreed a plan for achieving the new arrangements. He says directors will want to be sure the arrangements "include appropriate provision for the group's financial requirements taking into account the receipt of the proceeds of the issue".

Shareholders will be given further information about these discussions with bankers, by November 16, the day after the special meeting. People involved in the discussions hope that they can be concluded by November 14, so that Mr Walker will be able to report to shareholders at the meeting.

The document warns shareholders in bold type not to take up the offer to clawback the bonds until they have received that information. As the share price has fallen sharply to well below the 140p price at which the bonds convert into shares, the bonds are likely to trade well below their issue price when they are listed.

The document also lists the five companies which acted as the selling group for the bond issue.

Mr Walker's Birdcage Walk private company is taking up £27.3m of the issue, leaving the selling group taking £76m. Of these bonds, £66m have been taken by members of the selling group as placees.

The five are Citimet, a Bahamas-based investment trust, Hambro Group Investments, MMG Patricof, a venture capital and corporate finance house, Svenska International, the Swedish bank, and Tunis International Bank.

Hambros Bank has said that it took under £10m of the bonds onto its own book, and MMG Patricof said yesterday that it had placed all its share of the bonds with outside investors.

'No mystery factor' adds to credentials of credibility

By David Lascelles, Banking Editor

BRENT WALKER's success in obtaining new money from its bankers only days after Polly Peck failed at the same task highlights the wide gulf between the two companies.

Although both have debts exceeding £1bn and are run by highly entrepreneurial types, the similarities do not go much further. When it came to the crunch, Mr George Walker had the credibility with his lenders which Mr Asil Nadir lacked.

One banker close to Brent Walker said yesterday that the company had "no mystery factor", in contrast to Polly Peck. Brent Walker's businesses were all visible and easy to understand: pubs, betting shops and leisure complexes. Polly Peck's operations were in the citrus groves of the eastern Mediterranean – the mysterious east as far as many bankers were concerned – and cash, insofar as any existed, lay in the vaults of little known banks in northern Cyprus.

Brent Walker's businesses are also relatively stable cash generators. The company has £100m in fresh cash coming in from the bond issue – again in contrast to Mr Nadir's promises of new money which never materialised.

But even if bankers were prepared to lend credence to Mr Nadir's promises, a clinching factor in their decision to call in the administrators would have been the launch of an investigation by the Serious Fraud Office into Polly Peck's affairs, and growing uncertainty about Mr Nadir's personal position. "When there's a crisis of confidence, things decay very quickly," said a banker.

Another factor was the behind-the-scenes work by the Bank of England over Brent Walker, though several bankers cautioned yesterday against reading too much into this. "We shouldn't have to be leaned on" said one of them. Some banks said they had not even received a call from the Bank.

The Bank itself refused to comment on its activities beyond referring to a recent statement by Mr Robin Leigh-Pemberton, the Governor, that the Bank does not dictate that a rescue must be agreed when companies get into difficulty.

"It is the creditors' money that is at stake and if they collectively feel that liquidation or administration is the right course, then we accept that", he said.

It appears that the Bank offered encouragement and support to Brent Walker's bankers, while stopping short of pressuring them into any moves that might override their commercial judgment.

"The Bank can work best if there is already a sense of direction among the bankers. It can do little when they're in disarray", said a banking executive, referring to the turmoil over Polly Peck.

However, it does seem that the Bank formed a view that Brent Walker was capable of being saved where Polly Peck was not. Brent Walker's syndicate of about ten banks was much more manageable than Polly Peck's 60, and the business seemed more soundly based. The Bank was also handed a dossier of Brent Walker's financial information so it was able to form its own judgments.

See Lex

Moss Bros turns in £1.1m and warns of 'ugly third quarter'

By John Thornhill

MOSS BROS, the menswear retailer and hirer, warned that it had experienced a disappointing start to the second half of the year as the economic outlook continued to have a disturbing effect on retailing.

The shares slipped 3p to 125p.

The statement accompanied results for the six months to July 28 which showed pre-tax profits down from £1.77m to £1.1m, although the previous year's figure did include an £880,000 exceptional credit arising from the sale of a property in Shaftesbury Avenue, London.

Stripped of the exceptional item, trading profits advanced healthily from £893,000 on sales ahead 10 per cent ahead at £24.98m (£22.78m).

Interest receivable accounted for £520,000 compared with £820,000 last time.

At the end of the half year, sales were running 10 per cent ahead of the previous year but this has now slipped back to 7 per cent as a result of the weak trading in the opening months of the second half.

"The third quarter has been ugly," said Mr Rowland Gee, managing director.

The company is, however, gearing itself up for its strongest trading months in December and January and is looking to benefit from nine store openings this year.

Moss Bros's Suit Company now operates through 57 outlets; the classic division, which trades under the Moss Bros, Savoy Taylors Guild, and Beale & Inman names, has 27; and the Cecil Gee format has 19.

"Although trading is tough we feel that we can get a bigger share of it," Mr Gee said. Moss Bros already claims a 5 per cent share of the UK suit market and in the first 30 weeks of the year it sold 100,000 suits, representing 3 per cent more than last year.

Demand for the group's clothing hire services – which account for about 15 per cent of turnover – was said to have remained steady.

Earnings per share, including the previous half's exceptional credit, fell from 7.07p to 4.32p.

Excluding the exceptional credit, earnings grew from 3.56p to 4.32p.

The interim dividend is maintained at 1.5p.

Wembley pays £7.3m for leisure assets

By Richard Gourlay

Wembley, the leisure group which owns the London stadium, said it has acquired assets from Leading Leisure worth £7.3m, financed mainly through the issue of new shares.

The businesses include eight bingo clubs, the Needles Pleasure Park and Leading Leisure's contract catering business.

The acquisitions were financed through a vendor placing of 7.8m new Wembley ordinary shares at 80p. The balance will be settled in cash.

The issue was underwritten by Schroders and the shares placed with institutions.

Wembley said the operation of bingo clubs was a natural extension of its sports, entertainment and gaming business. It expected the new businesses to earn pre-tax profits of £1.5m.

Mayhew refuses to comment on ADT/SFO

By Andrew Hill

SIR PATRICK Mayhew, the attorney general, yesterday refused to comment on a Labour MP's suggestion that the Serious Fraud Office was looking into the activities of Mr Michael Ashcroft, chairman of ADT, the electronic security and vehicle auctions group.

The attorney general said it was a matter of SFO policy neither to confirm nor correct suggestions about its inquiries.

"No inference as to the truth or falsity of the Honourable Member's suggestion arises from adherence to that policy in this instance," said Sir Patrick in his written answer to three parliamentary questions tabled by Mr Rhodri Morgan, Labour MP for Cardiff West.

However, it is understood that the SFO is not seeking to question Mr Ashcroft in any connection. On Friday ADT reacted angrily to Mr Morgan's suggestions issuing a strongly worded statement which said neither the company, its chairman nor any of its directors had had any contact with, or approach from the SFO.

Mr Morgan said yesterday: "I'm making a careful analysis of the [attorney general's] reply as part of my normal ongoing parliamentary inquiries."

Shares in Bermuda-registered ADT rose 1¼p yesterday to 104½p.

Dale Electric sale

Dale Electric has sold its loss-making Ward and Scutt Control Systems subsidiary to THE Section Bending. Consideration is £600,000 of which £300,000, is payable immediately and the balance on December 31 1991.

UK COMPANY NEWS

Northerners seek understanding

Juliet Sychrava reports on aggressive marketing in the north west

NORWEB feels misunderstood. It is not, as brokers UBS Phillips & Drew, among others, have suggested, dependent on heavy industry.

On the contrary, it has no really large industrial consumers, and the increase in commercial sales has far outstripped industrial sector growth in the last five years.

"Our largest customers only take around 1.5 per cent of the total turnover each," says Mr Ken Harvey, Norweb's chairman, who joined in 1981 from London Electricity, where he was deputy chairman. "That gives us a certain amount of resilience."

Norweb is not short on resilience. If there is a regional stereotype that suits Norweb, it is that of the canny northern company, tough on costs and aggressive in marketing.

Its directors like to point out that it has a Scottish finance director. Mr Brian Wilson, who was accounting services manager for the Hydro board in the north of Scotland, drives the point home. "We're very bottom line driven, very prudent."

Mr Harvey, a frank man with a disarmingly friendly manner, frequently draws his directors, all industry men, into the discussion. But it is Mr Wilson and Mr Malcolm Faulkner, the marketing director, who answer most often.

It was in the bad old days of the Manchester slump in the early 1980s, says Mr Harvey, that the company learnt to cut costs and sell hard.

"In the past we had to fight tooth and nail for every hour of sales, so our management is very aggressive in terms of marketing electricity. Quite apart from the economic climate, we have always had the highest penetration of gas apart from London, so we've always had to fight gas. We're used to operating in a competitive market."

Growth in total unit sales has averaged 2 per cent per annum in the five years to March 1990, making Norweb, together with SWEB in south west England, bottom of the league of regional companies.

The regional outlook for the north west is still dull, despite a revival in Manchester, which accounts for 60 per cent of Norweb's customers. Population is declining and gross domestic product growth will be about 0.5 of a percentage point below the national average.

But if the figures show Norweb to be average – it falls sixth of the twelve regional companies in terms of turnover and operating profit – there is more telling information which supports Mr Harvey's confidence that the company can live with regional problems.

Operating costs per unit have fallen by 3.6 per cent since 1984, compared with a regional company average of 1.7 per cent.

Working capital is tightly controlled. Norweb now has about 42 per cent of its customers, well above the industry average, on budget schemes, and was the first company to switch from coin meters to credit cards.

This does not mean, Mr Wilson asserts, that Norweb has less scope than its competitors for future cuts. "If you've got a management that has a good tradition of cost cutting, then those old habits die hard. If you've got used to a lot of fat you don't suddenly become born-again Christians after privatisation.

"We do have an extensive capital expenditure programme, and just clipping off the discretionary element can release a lot of cash. We can use that to pay off debt, and get a rising earnings profile, or we can use it for other things."

That may mean acquisitions. Norweb has ambitious plans for its retail business, which had the largest turnover and operating profit of any regional company last year, contributing 10 per cent of Norweb's operating profit.

With a 30 per cent share of the white goods market in its own region, it intends to move out. On October 19 it began by opening three shops in the neighbouring territory of Manweb, which operates in Merseyside and north Wales. Buying into a retail chain is a possibility.

Gearing, says Mr Wilson, would be no obstacle. Norweb was given one of the highest debt levels at £153m, converting into gearing of close to 42 per cent, top of the 30-45 per cent range for the regional companies.

"Clearly the gearing is higher than we would like. But high gearing can work to our advantage, as long as we can squeeze cash out of the company, that's the key."

It would be unfair to suggest that Norweb had done nothing but manage its books. It was the first of the regional companies to go into generation, taking a 20 per cent equity stake in the new Lakeland power station being built by Asea Brown Boveri at Roosecote. "We have a real idea of the real economic price of generation, which gives us a benchmark against which we can measure the games the generators are playing," Mr Harvey says.

Norweb Generation also has an 50 per cent stake in Norweb CPS, a joint-venture with Combined Power Services which markets combined heat and power (CHP) units, providing hot water and electricity to hotels, hospitals, and similar businesses. Though still very small, it should grow rapidly as more contracts are signed.

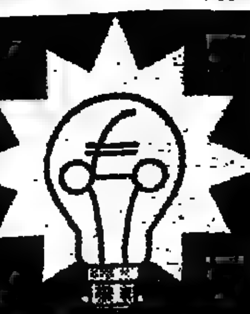
In the short-term, Norweb should benefit from the work it has already done in building its non-regulated businesses. If an electricity company can succeed on the basis of cost-cutting and marketing, it will be Norweb.

However, it still has to prove its management can be as dynamic as it is prudent.

This is the fourth of 12 profiles of the regional electricity companies that the FT is publishing every Tuesday

NORWEB

Ken Harvey: used to operating in a competitive market



PRIVATISATION

Customer breakdown of sales

	Norweb(%)	Industry(%)
Domestic	33.3	34.4
Commercial	23.3	25.9
Industrial	38.1	36.7
Other†	5.2	3.0

†Includes domestic/commercial, public lighting, traction and farm

Source: UBS Phillips & Drew

INVESTMENT TRUST DIGEST

RIT Cap Parts nav declines

RIT Capital Partners, the investment company, had a net asset value of 125.4p per share at September 30 against 168.7p a year earlier. At the March 31 year-end the figure was 147.9p. Fully diluted net asset values were 117.1p, 144.5p and 131p respectively.

For the six months to end-September pre-tax profits increased to £8.26m (£5.47m). After tax of £2.84m (£1.65m) and minorities earnings per share improved from 1.9p to 2.9p basic and to 2.2p (1.5p) diluted.

Fleming European

The Fleming European Fledgeling Investment Trust, which obtained a listing in April, had a net asset value of 75.3p at September 30.

Gross revenue was £532,000 and net revenue for the six month period came through at £195,000 for earnings per share of 0.48p. There is no interim dividend and the directors do not expect to recommend a payment for the full accounting period to March 31 1991.

Tax took £104,000.

New Frontiers Dev

Net asset value per share at New Frontiers Development Trust fell to 61.6p at September 30 against 80.1p a year earlier. Directors said that reflected the sharp fall in equity markets in reaction to the Gulf crisis and the strength of sterling against local currencies in which the company was invested.

Total income for the year was £6.76m (£5.59m) with after-tax revenue at £1.27m (£818,000) for earnings per share of 1.27p (0.82p). There is a proposed final dividend of 0.25p (0.8p) and a special dividend of 0.75p (nil).

Secs Tst of Scotland

Securities Trust of Scotland ended the six months to September 30 with a net asset value at 60.4p, down from 75.6p a year earlier and 13.5 per cent lower than the 69.8p at the year end of March 31. The FT-Actuaries All-share Index fell by 13.7 per cent in the six months.

Investment income rose to £10.31m (£9.09m) and net revenue to £5.85m (£5.04m) for earnings per share of 1.81p (1.56p).

The interim dividend is raised to 1.02p (0.9p).

Directors said that the payment of the two-year loan of £20m in September had reduced gearing to 7 per cent.

RBC Far East

Net income of the RBC Far East and Pacific Fund for the period March 7 1990 to September 4 1990 was $67,817 (£34,660) against a loss last time of $13,945.

Earnings per participating redeemable preference share were $0.2 (loss $0.08). The offer share price at September 5 1990 was $43.73. No interim dividend has been declared for the period.

Fleming Universal

Net asset value at Fleming Universal Investment Trust was 216.9p at September 30, against 242.1p a year earlier and 276.7p at March 31 this year.

Net revenue in the six months to end-September amounted to £1.9m (£1.56m) with gross revenue at £3.09m (£2.82m). Earnings were 2.89p (2.35p) per share and the interim dividend is maintained at 0.6p.

Lowland Investment

After deducting prior charges at par, the net asset value of Lowland Investment showed a decline of 26 per cent to 165.28p per share over the 12 months to end-September 1990.

Earnings per share advanced from 7.04p to 8.78p. A recommended final dividend of 5.25p lifts the total for the year by 1.75p to 7.75p.

Govett Strategic

Govett Strategic Investment Trust reported net asset value of 206p at September 30, against 388.7p a year earlier.

Net revenue increased to £9.68m (£5.73m) and earnings per share were up at 9.88p (5.79p). A maintained final dividend of 4p is recommended for a total of 6.5p (5.5p).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Drayton English & Intl Trust, Future, Jackson Group, Powerscreen Intl, Reed Intl, Thames Water.

Finals- Anglo Park, Barrett (Henry), Ensign Trust, Gencor, Low (William), VTR.

FUTURE DATES

Interims-

Aran Energy	Oct. 31
Argyll	Nov. 27
Associated British Foods	Nov. 5
Atkins Bros (Hosiery)	Dec. 4
Atlantic Resources	Oct. 31
BOA	Nov. 1
Gresham House	Oct. 31
Hazelwood Foods	Nov. 29
JMF	Oct. 31
Merchant Retail	Nov. 19
Monarch Resources	Nov. 1
Oxford Instruments	Nov. 9
Renold	Nov. 5
Whitbread Investment	Nov. 14

Finals-

Bailey (CH)	Nov. 7
Bellway	Nov. 8
Blenheim Exhibitions	Nov. 15
Dunedin Worldwide Inv Tst	Nov. 28

UK COMPANY NEWS

Sutcliffe Speakman in talks to ensure survival

By Andrew Hill

SUTCLIFFE SPEAKMAN is talking to its bankers in an attempt to ensure the survival of the 88-year-old environmental engineering and activated carbon group.

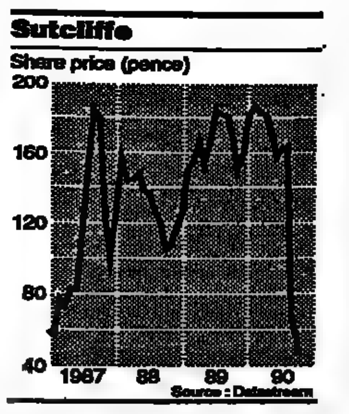
Sutcliffe's shares were suspended at 45p yesterday "pending clarification of the company's financial position", and the group has been forced to defer payment of its final dividend which should have been paid to shareholders yesterday.

A formal statement said: "Discussions are taking place with the company's bankers concerning the availability of ongoing facilities."

The group, worth about £10m at the suspension price, is still in talks with potential buyers of some of its assets.

Mr John Bellak, Sutcliffe's chairman, added: "It's not comfortable, obviously." He said he could not enlarge further on the statement, but more details may be available within the next two days.

Sutcliffe's share price has



fallen from a peak of 200p since the beginning of this year. Most of that collapse has taken place since August when Mr Bellak warned of a "substantial loss of profitability" in the group's carbon division, which would lead to a pre-tax loss in the first six months of 1990-91.

The company, founded in Lancashire in 1902, is involved in the manufacture of products used in water treatment, air purification and effluent handling systems. Sutcliffe made £3.01m before tax in the year to March 31, against £1.86m in the previous year, but that was after interest charges more than doubled to £2.1m.

Sutcliffe's borrowings were estimated at £22m last month – gearing of 150 per cent – and the company may have had difficulty completing non-core disposals which it has been negotiating for the last two months.

The group's problems are an additional burden for Mr Bellak. He is also chairman of Severn Trent, the large privatised water company which has been embroiled in an ill-fated bid for Caird, the waste management group.

On August 23, Mr Bellak said that in spite of the disruption in the carbon division Sutcliffe was "confident of an improved second half performance for the group as a whole and an overall return to profitability for the year".

Delayed Goodman report due today

By Kieran Cooke in Dublin.

TODAY IS D Day for Goodman International and more than 30 banks owed an estimated I£470m (£426m) plus an additional I£180m in various bank guarantees by Ireland and Europe's biggest beef processor and exporter.

In the High Court in Dublin Mr Peter Fitzpatrick, the Examiner appointed to investigate Goodman International's financial affairs, will present his twice delayed report on the company.

The likelihood is that Mr Fitzpatrick will recommend that the essential business of Goodman International – beef slaughtering, processing and exporting – is a viable enterprise and should be allowed to continue.

If Mr Fitzpatrick's recommendations are accepted by the Court then he will have a maximum of two months to reach agreement with a majority of creditors on a rescue package.

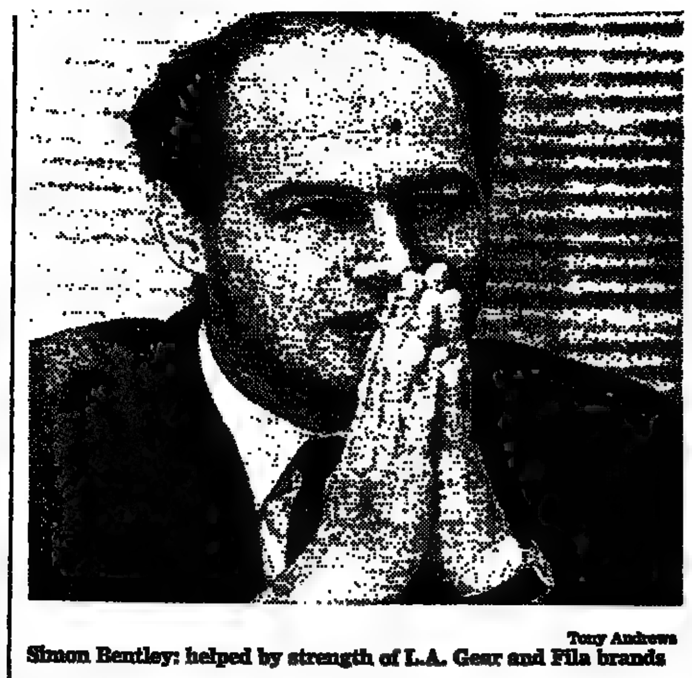
This will not be easy. Some banks – particularly Irish-based subsidiaries of Dutch and German banks – have already made it clear that they want liquidation rather than a continuance of a business in which they have lost confidence.

Mr Fitzpatrick is likely to propose the sell off of all non-meat interests in the Goodman empire.

Exactly how much such a sell-off would raise is far from clear, but it is estimated that even after disposals and some debt rescheduling, at least I£250m will still be outstanding.

A number of the banks have started legal proceedings in the Irish courts to try to safeguard their lendings.

They have argued that funds lent for working capital purposes to Goodman's meat business were instead used to make other investments, or to back up existing loans.



Tony Andrews

Simon Bentley: helped by strength of L.A. Gear and Fila brands

Blacks Leisure more than doubled at £1.8m

By Richard Gourlay

BLACKS LEISURE, the camping and sporting goods retailer, yesterday announced a sharp increase in half year profits reflecting resilient demand for sport and outdoor leisure goods and a strong performance from the distribution of footwear brands.

Pre-tax profits for the six months to end-September more than doubled to £1.8m on turnover up 28 per cent at £32.5m. Earnings per share rose to 6.92p from 3.19p and the interim dividend is maintained at 1p. Last year's final payment was omitted.

Mr Simon Bentley, chairman, said the company had been helped by the strength of the L.A. Gear and Fila brands. Trading profits from wholesale distribution, which includes these brands, jumped from £180,000 to £1.6m. In August the group bought the freehold of a warehouse for further expansion of L.A. Gear.

Trading profits from sports, camping and leisure rose 78 per cent to £1.6m helped by higher sales from more trading space.

The fashion and textiles division, comprising the S Eker and Miss Sam retailers which were bought near the top of the bull market three years ago, just broke even at the trading level with a £100,000 profit, down from £400,000 at the same stage last year.

The group made an extraordinary loss of £204,000 on the sale of SWJ, its menswear retailing outlet. The sale of SWJ, with its attendant debt of £1.1m, helped reduce group gearing from some 150 per cent at the year-end to about 100 per cent.

The group also took in an extraordinary profit of £149,000 after costs, relating to a payment from Mr Stephen Morris, the former managing director of Miss Sam, in connection with the early termination of his contract.

Mr Bentley said retail demand remained buoyant and that refurbishment of existing sites offered more growth potential.

Peek seeks majority stake in Philips arm

By Clare Pearson

Peek, the traffic and data systems specialist, is negotiating to buy a majority stake in the traffic control arm of Philips, the Dutch electronics group.

The purchase price is not determined but would be financed from Peek's internal resources.

If the deal goes through it will give Peek a controlling stake in a Netherlands-based business with annual sales of about £15m operating in northern Europe, Italy and North America.

Traffic control systems are a fast-growing part of the Peek group, contributing about 30 per cent of last year's sales of £87.5m.

GUS forms joint credit company in Germany

By David Barchard

CCN Systems, the information and credit reference services subsidiary of Great Universal Stores, is to form a joint company in Germany for the processing of retail and bank cards with the Metro, a large German retail group.

The new company will be known as CCN Systems GmbH and Company KG, and is intended to take advantage of the rapid expansion of the German card market.

The market is dominated by a tight banking cartel, which until recently regarded credit cards as a limited up-market product for business travellers rather than a payment instrument for the mass market.

Since February last year the German credit card market has been rapidly expanding as the German banks promote cards, usually with the Eurocard branding, to their customers.

There are only 4.5m charge or credit cards in a population of almost 80m, accounting for 5 per cent of consumer purchases compared to the UK, where plastic cards account for at least 13 per cent of purchases.

CCN's move into the German market follows a similar one by Barclays which last year acquired a small credit card processing plant in the country.

NEWS DIGEST

Nu-Swift stake in London Secs

LONDON SECURITIES and Nu-Swift Industries are forming a joint property venture. Nu-Swift is also acquiring shares in London Securities which could give it a 25.1 per cent stake.

The fire fighting equipment and office cleaning services concern is subscribing for 3.02m shares in the property and investment group, at 24p apiece.

It will also, subject to the approval of London's shareholders and the Stock Exchange, subscribe for a further 13.64m shares at the same price and will be granted an option for one year over further shares, also at 24p, which would take its holding to 25.1 per cent of the enlarged equity.

On completion of the subscription, Nu-Swift and London will enter into the joint venture. Properties suitable for investment will be identified by London and Nu-Swift has agreed to provide a loan facility of up to £10m at 1 per cent over Libor.

GR (Holdings) lower with £1.62m

Taxable profits at GR (Holdings) – the sheepskin merchant, health farm operator and property developer – fell from £7.26m to £1.62m for the year to June 30. The 1989 figure included a £5.6m exceptional profit on the sale of property in Holborn London.

This year's profit decline came on turnover down to £7.77m (£8.5m). Tax took £606,000 (£2.64m) and exceptional items, net of tax, took £219,303 (nil). Minority interests added £158,000 (£28,500) while there were extraordinary charges of £1.08m (£7,895).

Earnings fell from 34p to 6p per share. An unchanged final dividend of 1.75p is proposed, making a total of 2.15p (32.15p including special payment of 30p) for the year.

Lendu losses deepen to £116,000

Lendu Holdings, which has rubber, sheep farming and grain production interests, saw losses deepen in the first half of 1990.

The deficit at the pre-tax level totalled £116,691, up from £95,891, on turnover cut by more than half to £55,324 (£113,319). The gross loss was £179,647 (£120,314) and the operating loss £53,364 (£43,612). Losses per share were 0.72p (0.58p).

Conrad Conti in red and omits dividend

The loss of £288,000 incurred in 1989 at Conrad Continental, the leather clothing and fashion accessories company, has grown to £469,000 pre-tax in the first half of 1990.

The interim dividend is being passed (1p).

The loss compares with taxable profits of £308,000 in the first half of 1989.

The company said that difficult trading conditions in the two core businesses would continue for the rest of the year, though the second-half result would include a contribution from Charlton Enterprises, the sports coaching business founded by Mr Bobby Charlton, the former England and Manchester United footballer, and acquired for a maximum £3.5m in June.

Turnover declined from £5.85m to £4.36m and, after a nil tax charge (£106,000), losses per share were 3.55p (earnings 1.49p).

British & American Film 48% ahead

British & American Film Holdings, the investment holding company with interests in film production, achieved a 48 per cent increase, from £388,652 to £575,030, in pre-tax profits for the first half of 1990.

An interim dividend of 3p (2.65p) is payable on the ordinary 5p stock units and restricted shares and the directors said they intended to maintain a similar rate of increase for the final. Earnings per share improved to 14.98p (10.498p).

At June 30 investments at valuation and cash at banks was £23.02m (£21.17m) while net asset value, excluding film rights, stood at 799.5p (728.7p).

Clayton tumbles buts lifts dividend

In spite of a fall in taxable profits from £115,000 to £18,000 at Clayton Son & Co (Holdings), directors decided to lift the interim dividend from 2.2p to 2.5p – in line with inflation, they said.

The group, which makes bulk storage, pressure vessels, fabrications, pipes, presses and machinery, increased turnover in the first half of 1990 to £6.95m (£5.77m), though group profit fell to £75,000 (£173,000).

Losses per share were 0.18p (earnings 3.81p).

Small increase at Craig & Rose

Craig & Rose, a maker of paint and varnish and supplier of wallcoverings, lifted pre-tax profits by £2,000 to £42,000 in the first half of 1990. The result was struck on turnover up from £2.59m to £2.8m.

Earnings per £1 stock unit rose to 7.51p (7.45p) and the interim dividend is maintained at 2p.

Craton Lodge in £2.45m placing

Craton Lodge & Knight (CLK), the USM-quoted product development company, is making a share placing to raise £2.45m after expenses.

This will finance its recent acquisitions of Michael Peters, the design consultancy which it bought from the receiver last month and PPG, a specialist in point-of-sale material.

The placing is of 137.52m shares at 2p each, with clawback for existing shareholders on a one-for-two basis. HIT Investments, which rescued CLK itself by underwriting a 35-for-1 rights issue earlier this year, has agreed to take up 40m shares.

CLK also said it estimated its consolidated loss before tax for the year to end-September would amount to not more than £238,000, or 0.2p per share. The original CLK businesses were expected to report profits for the period. There would be no final dividend.

Mr Mike Simson, CLK's finance director, said after meeting working capital requirements of Michael Peters the share placing would leave the company ungeared.

Receivers make Corton Beach sales

The receivers appointed at Corton Beach have moved rapidly to complete the sale of most of the food division of the company, which also has interests in leisure and motor dealerships.

The bulk of the outlets of Freezrite Frozen Food Centres have been sold to Iceland Frozen Foods. Meanwhile Nisachill, which distributes chilled food to independent supermarkets on behalf of their wholesale division, Nisa, has been sold to NFC, the transport and distribution group.

The disposals follow the sale of Corton Beach's chilled and frozen foods distribution business to Sims Food, the meat processor and distributor.

Excluded from the sale to Iceland are three stores and a cold store operation in North Wales. Freezrite's turnover for the seven months to end-August was £7m. Nisachill, which was set up early this year, had sales of £1m in the six months to end-September.

There are two other food companies, Tranfood and Basefresh, that remain to be sold.

Receivers from Price Waterhouse, the accountants, were appointed on October 10.

Provident makes £3.5m broker buy

Provident Financial Group has acquired Shipton Insurance Services, the insurance broker, from RAC Motoring Services for £3.5m cash.

Shipton, with 15 branches in the Midlands and south of England, reported a pre-tax loss of £53,000 in 1989 on premiums of £10.3m. Net assets at the end of the year were £600,000.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Blacks Leisure ....int	1	Feb 7	1	-	1
Conrad Contl ....int	nil	-	1	-	1
Lowland Inv ....fin	5.25	Dec 21	4.5	7.75	6
Moss Bros ....int	1.5	Dec 7	1.5	-	5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

MANAGEMENT: The Growing Business

Why Americans are setting up over there

As US companies take a growing interest in Europe, they pose a competitive challenge for local firms, reports Charles Batchelor

A House of Commons lunch with a former Member of Parliament-turned-consultant was just one of the distractions encountered by Jim Smith when he was setting up the UK offshoot of Communispond, a New York company providing management development training.

"That was one of the enjoyable but not particularly productive pitfalls of setting up in Britain," Smith recalls. "Consultants and pseudo-consultants came out of the woodwork. They tell you how they can get business for you but most have no idea of what your company does. You wouldn't expect a small company to be besieged like that."

Communispond, which employs about 100 people in the US and the UK, is one of the growing number of small *and medium-sized US businesses* to set up in Europe. They are driven partly by the growing amount of business they are doing in the continent and partly by the need to establish *themselves* before 1992.

A newly-published survey* of North American firms with sales of between $10m and $300m showed that one in three was already doing business in the European Community. Of manufacturing firms, 48 per cent were likely to increase or establish business operations in Europe, though service companies appeared more cautious with just 17 per cent planning expansion, the survey, by accountants Horwath International, showed.

Establishing an overseas presence can be a daunting prospect for the smaller company, particularly for US companies used to dealing only in the large, fairly homogeneous North American market. "I have been surprised at how naive the managers of even $500m businesses can be in dealing with issues like foreign exchange," comments one UK consultant.

European businessmen should not, though, ignore the potential challenge posed by a new wave of smaller US companies. After all, many large North American corporations – some of them in Europe for several decades – have shown themselves to be more adept at operating on a continent-wide scale than their European counterparts.

Fifth Generation Systems, a Baton Rouge, Louisiana-based manufacturer of add-on software programmes employing 160 people, is currently engaged in establishing a direct presence in Europe. It makes 10 per cent of its $52m worth of sales in Europe through distributors and mail order and earlier this month opened a European sales headquarters in Paris. It also has plans for regional offices in London, Munich, Amsterdam and Madrid.

A presence in Europe will allow Fifth Generation to provide a better service to its customers and should enable it to *increase European sales to 35* per cent of the total within two years, says François Dodu, vice-president Europe.

Fifth Generation's existing European business provides a good base from which to work but the company will have to rationalise its network of more than 50 official distributors and impose a properly thought-through pricing structure on its product range in Europe, including a discount system for large purchasers.

Dodu, aged 34, was chosen to head Fifth Generation's European operations because of his experience in the software industry in Europe and because of his fluency in English and German as well as his native French. But it is more common for US companies to send an American to head their European offshoot, at least in the early stages.

Jim Smith, the only American in Communispond's five-strong London team, says he expects that the UK operation will ultimately be run by a British manager. Bill Gibson, chief executive of Digital Microwave Corporation, a San Jose, California-based manufacturer of microwave radio products, recruited locals to make up the 100-plus staff at its East Kilbride factory and its headquarters in Coventry.

Digital Microwave, with total sales of $150m and a US workforce of 500, chose a high-tech area to site its factory and then set out to recruit skilled employees locally. Unlike Digital's headquarters in Silicon Valley, however, East Kilbride lacked workers with experience of working with microwave radio systems.

Recruits were sent to San Jose for three to four months training but it still took longer to transfer manufacturing skills than Gibson had hoped. "I should have sent some people to the UK for six to nine months as 'mentors'," he says.

Digital did, however, gain considerable technological advantage in another field from its move into Europe. The differing technical requirements of the European telecommunications organisations forced it to modify its equipment *to permit customisation* to local conditions.

Digital developed what it calls a "personality card", a printed circuit board which can be changed according to local technical standards. This represented an important step towards making Digital's equipment suitable for international markets.

In the early stages, though, most US entrants in the European market will be transferring technical skills from their home base to their new offshoots. Aero Tec Laboratories, a Ramsey, New Jersey manufacturer of safety fuel tanks for racing cars and industrial applications, carries out new product development in the US although it has had a small manufacturing operation in Milton Keynes, Buckinghamshire for the past three years.

Aero Tec came to Europe because the UK is the centre for much of the design and production of Formula One racing cars while the sport's design approvals body is based in Paris. Many of Aero Tec's customers and suppliers are within two hours' travel time from Milton Keynes, says Richard Clark, managing director of Aero Tec's UK operation, which employs seven people.

Having a UK base means *customers can come* in to discuss their blueprints and to modify designs. The completed fuel tanks can be shipped more quickly to customers throughout the continent than would be possible from the US. European sales have doubled since Aero Tec, which has total sales of about $5m, set up in Britain.

Alan Harper

Richard Clark: European sales doubled since Aero Tec set up in Milton Keynes three years ago

Because it is closer to the Formula One racing car industry than its US parent company, Aero Tec in the UK should be able to contribute much to the development of new products. A newly-developed fuel tank, with three times the impact-resistance of previous models, was developed in the US but marketing and gaining official approvals was handled from Milton Keynes, says Peter Regna, the US founder and chief executive.

While some US companies think in European terms from the outset others have their eyes more narrowly focused on one particular market, most often the UK, France or Germany. All of them, though, encounter the problems of doing a substantial part of their business in currencies other than the dollar.

Communispond is almost self-supporting after 18 months in the UK but the fluctuations of the dollar against sterling in the early months, when the US parent company was financing the UK operation, led to higher-than-expected costs, says Jim Smith.

Currency fluctuations are one of the hurdles which many small US companies view with concern. Others have been dissuaded from attempting to enter the European market by talk of protectionism and Fortress Europe.

Every small and medium-sized US company which does come to Europe, however, represents a challenge to the local business community. If they can achieve the same continental reach as the larger US corporations they seem certain to make life more difficult for the locals.

**Contact Stoy Hayward (in UK) Tel 071-486 5888 or Laventhol & Horwath (in US) 0101 215 299 1700 or toll-free in US on 1 800 283 1992.*

Management buy-outs

Smaller deals set the pace

By Charles Batchelor

Managers who have been considering acquiring control of their business by means of a management buy-out might be forgiven for thinking that this option is no longer open to them. The problems of a handful of large buy-outs such as MFI, Magnet and Lowndes Queensway have cast a damper *over the whole buy-out industry* in recent months.

First impressions are misleading, however. The big, public company deals have gone out of favour but the number of smaller, more conservatively financed buy-outs – those valued at less than £10m – has been on the increase.

The *value of buy-outs* and buy-ins (where managers go into another company) completed in the first half of 1990 fell 24 per cent to £1.71bn compared with the same period of 1989 but the number of deals rose 5 per cent to 271, according to a new study* by Nottingham University's Centre for Management Buy-Out Research. In the second quarter of 1990 the number of buy-outs rose to the highest ever quarterly level – 119 transactions.

The smaller deals have continued to be done because large companies have every incentive in the present tough economic climate to dispose of under-performing operations while banks are still happy to back conservatively-financed buy-outs. Their continued popularity is reflected by the drop in the average size to just £6.3m in the first half of 1990 from £14.8m in the whole of 1989. This is a far cry from the deals worth hundreds of millions of pounds completed in 1987-89. Meanwhile the average size of buy-ins fell from £24.9m to £5.1m.

Managers working in family-owned companies appear best placed to stage a buy-out; family-run businesses accounted *for 31 per cent of all* transactions in 1989.

Buy-outs have traditionally required managers to put up only relatively small amounts of capital for quite large equity stakes. In the first half of 1990 management teams involved in buy-outs worth up to £5m put up on average just £120,000 for a *61 per cent stake* in their companies.

Disillusionment with the stock market has meant that far fewer buy-outs have obtained flotations – just three buy-outs chose this route in the first half of 1990 – but a drop in overall acquisition activity has also led to fewer businesses being sold.

Difficult economic conditions coupled in some cases with excessive borrowings pushed 23 buy-outs into receivership in the first half of 1990 compared with 20 in the whole of 1989. For those buy-outs and buy-ins which stayed the course but where managers were unwilling or unable to float or sell their company, secondary buy-outs, which usually allow managers to retain their independence, have become an increasingly popular means of paying off financial backers. Six management teams re-financed their businesses in the first half of 1990 compared with 16 in the whole of 1989.

**UK Management Buy-Outs 1990. Available from Deborah Auty, Touche Ross Corporate Finance, Hill House, 1 Little New Street, London EC4A 3TR. Tel 071-936 3000. 112 pages. £85.*

Buy-outs by size

Number of deals since 1980

Source: Nottingham University Centre for Management Buy-Out Research

In brief...

● Inventors face an uphill struggle to get their products funded, protected, manufactured and sold. To smooth the path, Business in the Community, the umbrella organisation for local enterprise agencies and British Petroleum, have launched BP Innovation LINC to provide advice and help inventors raise funding.

Fourteen enterprise agencies have been designated 'gatekeepers' to refer inventors to panels of local professionals in the fields of patents and licencing, marketing and design. The *agencies also plan to establish* networks of local investors willing to provide £5,000 to £50,000 in early stage technical business ideas.

Contact local enterprise agencies or Dr Hilary Trudeau, BP, Britannic House, Moor Lane, London EC2Y 9BU.

● Capital spending by small businesses rose more than 25 per cent in the first half of 1990, according to the latest NatWest Small Business Index. The increase partly reflected a restructuring of debt from overdraft to loan *but was largely caused* an increase in the number of businesses seeking long-term finance to fund expansion and changing cash-flow needs.

Investment rose in all four of the regions covered (south west, south east, north, Midlands and Wales) but spending in the south east was still lower than in the other three regions. The reasons for this were the greater concentration of service industries, which are most exposed to consumer demand, and the proportionately greater impact of the uniform business rate, the bank said.

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BUSINESS OPPORTUNITIES

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AUCTIONS

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BUSINESSES FOR SALE

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BY ORDER OF THE JOINT ADMINISTRATORS
KEITH D GOODMAN FCA & PHILIP MONJACK FCA
IN THE MATTER OF

SPIRALYNX (1933) LIMITED

AND ITS SUBSIDIARIES

BONSOIR BEDDING LIMITED
MULTI-SPRING LIMITED
SUNRESTA LIMITED

Offers are invited for the assets and goodwill of this group of leading bed manufacturers. The companies trade from freehold premises adjacent to London Docklands and the City Airport and possesses a solid customer list with a large quantity of specialist machinery. Turnover within the group for the financial year ended 30 November 1989 was £4.7 million.

For further information please contact:
Leonard Curtis & Co, Chartered Accountants,
30 Eastbourne Terrace, London W2 6LF
Tel: 071-262 7700 Fax 071-723 6059
REF: 3/DJM

LEONARD CURTIS

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS
K. D. GOODMAN, FCA & S. D. SWADEN, FCA
IN THE MATTER OF
NORMAN ROSE LIMITED

THE FERRY HOUSE INN

Offers are invited for the freehold of this attractive old inn situated at Harty, Isle of Sheppey.
The Inn, reputed to be over 500 years old, is set in 9 acres on the banks of the River Swale,and is a Fully Licenced Free House with a large car park.

Further enquires should be addressed to the offices of:
Leonard Curtis & Co, PO Box 553,
30 Eastbourne Terrace, London W2 6LF.
For the attention of: K. D. Goodman, FCA.
Tel: 071-262 7700. Fax 071-723 6059.
REF: 3/DCG

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Near Gatwick, M23/25 Surrey

Successful established visitor enterprise in a prime commercial location

Zoo and aviaries with tropical butterfly gardens and educational unit
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In all about 10 acres

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REF: 2/DM

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This highly reputed magazine title is for sale, together with an extensive technical and pictorial archive spanning 20 years of International Air Affairs.
Current circulation is 40,000 per month in the UK and overseas, including Australia, Belgium, France, Germany, Hong Kong & Singapore.

Further details please contact:
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The Joint Administrative Receivers offer for sale the business and assets of this well-known and established group.

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- ◆ Five offices in Kent.
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Offers are invited for the business as a whole or for individual offices.
For further details please contact Edward Symmons and Partners on 071-407 8454. *Ref: AJR/IKS or the Joint Administrative Receiver of County Group Estate* Agencies plc and County Group Estate Agencies Ltd, *A P Supperstone FCA* at Stoy Hayward, 8 Baker Street, London W1M 1DA. Tel: 071-486 5888, Fax: 071-487 3686, Telex: 267716 HORWAT.

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The Joint Administrative Receivers of Ashbourne Lodge PLC offer for sale the business and assets of a

Ashbourne, Derbyshire

The Ashbourne Lodge Hotel has 51 letting bedrooms each having private bathroom, restaurant and conference facilities - all fitted out to luxury standard.
The Hotel is RAC 4 star and AA 3 star rated.
This purpose built facility opened in July 1989 and has established high occupancy levels.
Situated in three acres of attractive grounds and on the edge of the Peak District National Park - scope to extend accommodation facilities and provide a leisure complex.
For further details contact Ian Carruthers the Joint Administrative Receiver of Kevin Haycock of Cork Gully, 43 Temple Row, Birmingham B2 5JT Tel: 021-236 9995 Fax: 021-200 4040.

[illegible]

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SPACE HEATING MANUF. CO. FOR SALE

OEM of gas fired heating systems for commercial, industrial, public sector. T/O £1.1m. Profitable. Net assets £270K. Good management & growth potential.

Write: [illegible]
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This profitable privately-owned manufacturer and contractor operating in the commercial property market is offered for sale.

- * Established as a leader in £100+ million market
- * Quality products at forefront of design
- * Prestigious contracts for blue chip customers
- * 15 year unbroken growth record
- * Substantial order book
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Principals only please write to: Box H7542, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

Booth Bros. (Boobros) Ltd

The business and assets of Booth Bros (Boobros) Limited are for sale.

- Established 'manufacturer without looms' of high quality worsted.
- Worldwide contacts with customers and agents.
- Turnover £4.3 million in 1988/89.
- Freehold premises in Bradford with potential for development.

Enquiries to Gordon Horsfield, Price Waterhouse, 9 Bond Court, Leeds LS1 2SN. Telephone: (0532) 442044. Fax: (0532) 441401.

Price Waterhouse

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Majority shareholder in substantial Scottish private limited company with over £3.5 million turnover wishes to retire.

The business covers the application of the complete range of decorative and protective coatings as well as the supply and fitting of top quality domestic and commercial furnishings.

The opportunity is available to purchase the company outright, or to take a controlling stake. Alternatively consideration would be given to the disposal of part of the business which operates independently and for which separate profit records are available.

For further information contact Box H7528, Financial Times, One Southwark Bridge, London SE1 9HL

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wishes to dispose of its contract facilities companies. Contract cleaning company and contract security company. Joint turnover £1,000,000 p.a. generating 26% G.P.

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Home Counties, Nr. M25. Very profitable. T/O over £300,000 p.a. Quick sale: £800,000 o.n.o. Rent £15,000 p.a.

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(Pottery Business – Leek, Staffordshire)

Business and assets of established pottery available for sale as a result of receivership.

- Manufacture of quality earthenware household pottery.
- Annual turnover of £500,000, good customer base and skilled workforce.
- Located in freehold premises on a site of 1.22 acres in the town of Leek, Staffordshire.

Enquiries to the Joint Administrative Receiver, PE Baldwin FCA, Price Waterhouse, Livery House, 169 Edmund Street, Birmingham B3 2JB. Telephone: 021-200 3000. Fax: 021-200 2902.

Price Waterhouse

Cobden Chadwick Ltd (In Receivership)

Oldham, Lancs

The above company's main activity is the manufacture of flexographic printing machinery.

- Turnover in the year to 31 December 1989 £12 million
- High technical expertise
- Worldwide reputation
- Highly skilled workforce numbering approximately 250
- BS 5750 approved
- Freehold premises totalling 89,000 square-feet

For further details please contact the Joint Administrative Receivers: Allan Griffiths or Malcolm Shierson, Grant Thornton, Heron House, Albert Square, Manchester M2 5HD.
Tel: 061 834 5414
Fax: 061 832 6042

Grant Thornton
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Regency Construction (UK) Limited t/a as Site Engineering Services

(Under Administration)

By order of the Administrator Steven Anthony Frieze of Brooke North and Goodwin, Solicitors at Yorkshire House, East Parade, Leeds LS1 5SD the assets and undertaking of this company, specialising in the provision of surveyors and site engineers to the construction industry, are offered for sale.
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For further information contact Steven A Frieze or Stuart J Frith at Brooke North and Goodwin on 0532-832100, facsimile 0532-833999

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BUSINESSES FOR SALE

Touche Ross

Reliant Motor Group

The Joint Administrative Receivers offer for sale the business and assets of the above.

For further details contact John Richards on 071 405 8799 or Andrew Peters on 021 631 2288.

55-57 High Holborn, London WC1V 6DX. Tel: 071 405 8799, Fax: 071 831 2628

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WE SELL COMPANIES

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S. COAST - LIGHT MACHINERY DISTRIBUTORS. T/O £580,000 g.p. £127,000. Modern L/Hld Unit Price: £115,000 plus s.a.v. (Ref ZWM 28095.X)

PLUMBERS MERCHANTS - MIDLANDS - Long est. Co. Good Loc. T/O £1.8 million. N.P. £120k+. Price: £350,000 - Net Assets. (Ref ZWB 27428.K)

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RUBBER PROCESSOR - MIDLANDS - Very profitable. T.O £900,000 Price £1.5 million +/- net current assets. (Ref ZMT22144G)

CARPENTARY/JOINERY MANUFACTURER - NORTH HOME COUNTIES - Operating from freehold premises. Current order book £1.6m. Turnover for last financial year £2m plus. Price £750k (Ref ZM652441)

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EMS&F

We should like to hear from principals – whether buying or selling – regardless of sector, size or location.

Strictest confidence is maintained.

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The Joint Administrative Receivers offer for sale

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For further details please contact the joint administrative receivers, Jonathan Sisson or Mark Palios of Cork Gully, The Atrium, St Georges Street, Norwich, NR3 1AG. Telephone (0603) 619425. Fax (0603) 631060.

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

Cork Gully

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The Joint Administrative Receivers offer for sale the business and assets of the above company.

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- Plant and machinery
- Parts, stock and work-in-progress
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For further information please contact the Joint Administrative Receiver: Ann Davies

KPMG Peat Marwick Corporate Recovery

2 Cornwall Street, Birmingham B3 2DL. Tel: 021 233 1666. Fax: 021 233 4390.

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- 30 skilled staff
- Prestigious customer list
- BS 5750 approval
- Established business

Interested parties should contact Paul Davis on 0293 25435 or The Joint Administrative Receiver Neil Geddes at Levy Gee and Partners, Waterrs House, 56 Dingwall Road, Croydon CR0 0XH. Telephone: 081 681 8389. Telefax: 081 681 8402.

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- ★ Purchase of freehold possible.
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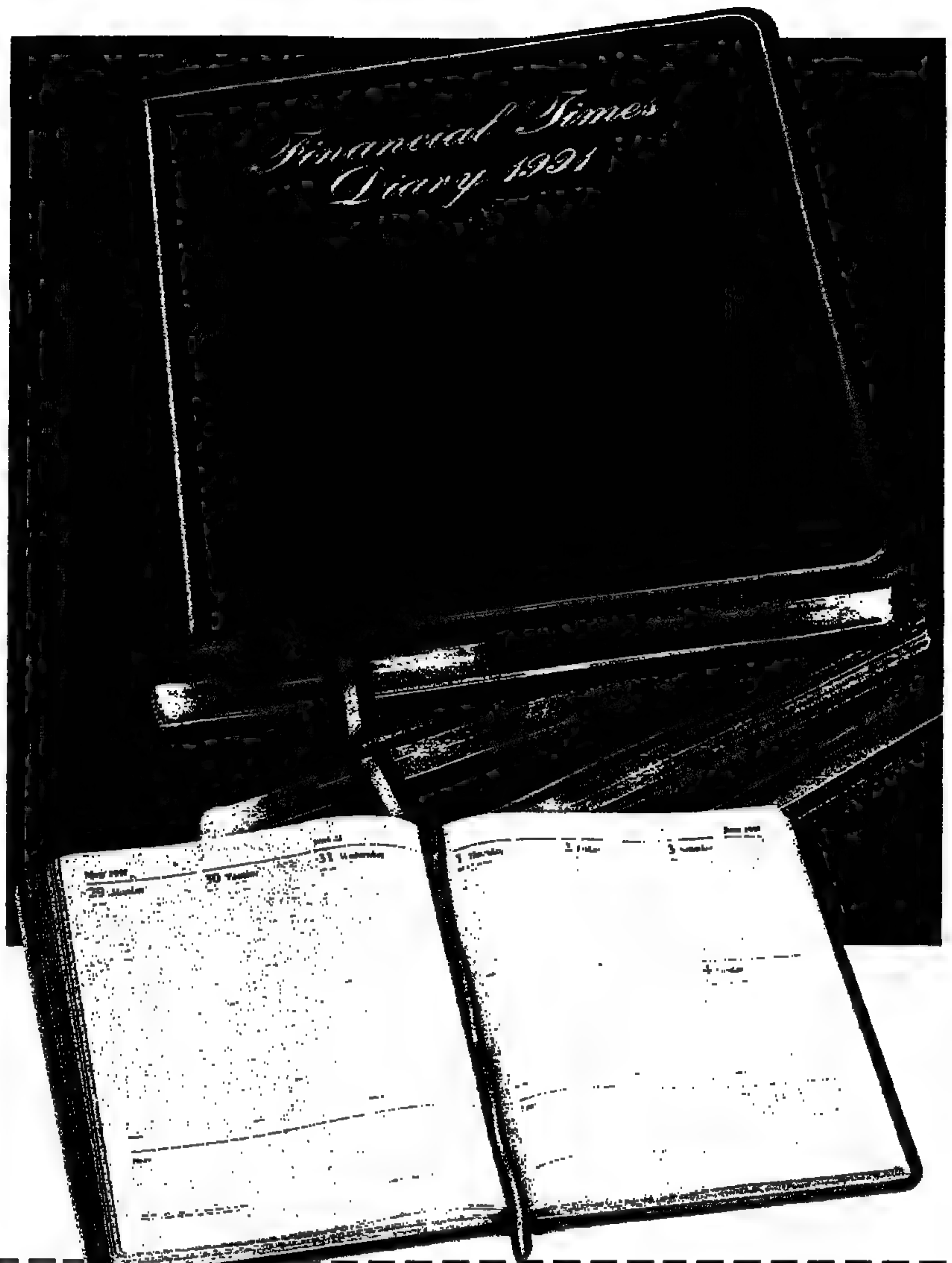

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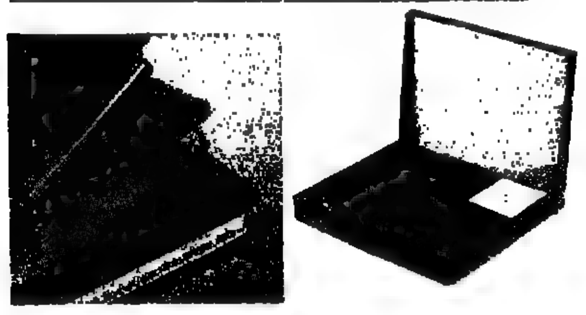

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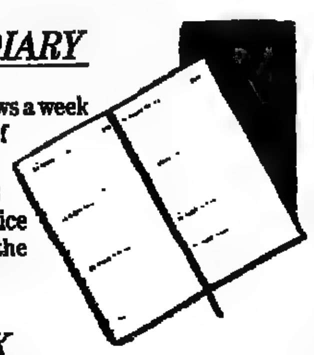
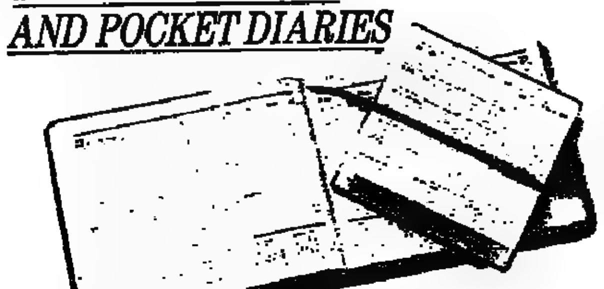


The FT Pocket Diary shows a week to view and contains details of international business centres, hotels, restaurants, UK airports and much, much more. In a choice of three bindings to match the FT Desk Diary.

THE FT PINK DESK AND POCKET DIARIES



Produced in response to the demand for a smaller, more portable FT diary, the **FT Pink Desk Diary** with its FT-pink pages is quite unique. Its distinctive size and shape make it equally at home on a desk or in a briefcase. Although compact, it contains a wealth of business information, and its innovative page a day layout allows ample space for each day's notes and business expenses. It is covered in black bonded leather.

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Features the FT Pocket Diary bound into a black leather wallet with gilt corners. Its discrete good looks are further enhanced by a black moiré silk lining and a handy notepad. There's more than adequate space for receipts and bank notes of all denominations.

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Slips easily into your pocket. It has a fortnight to view format and is bound in black leather-cloth with FT-pink paper and matching ribbon.

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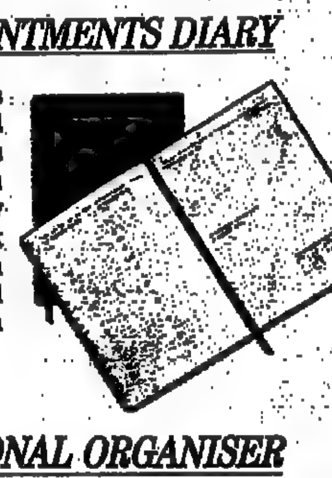

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What we've shown here is but a small sample of the wide range in the FT Collection, so why not send for the FT Collection colour brochure and see for yourself? It is packed with many invaluable business essentials from diaries to document cases. Contact us now on 071-799 2002, or write to FT Collection, FT Business Information Ltd., 50-64 Broadway, London SW1H 0DB., or send your business card.

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7285 2320	FT Pink Desk Diary	23.98		26.03		25.95		30.43		
7377 3001	Appointments Diary	13.85		15.20		14.81		19.95		
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7341 2165	Personal Organiser burgundy leather	38.73		40.03		39.74		44.78		
	PERSONALISATION									
7109 0683	Initials only	1.95		1.95		1.95		1.95		
7092 0683	Initials and Surname	3.45		3.45		3.45		3.45		

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هكذا من الأصل

FT LAW REPORTS

Bidders can sue in takeover case

MORGAN CRUCIBLE CO v HILL SAMUEL BANK LTD AND OTHERS
Court of Appeal (Lord Justice Slade, Lord Justice Mustill and Lord Justice Nicholls): October 19 1990

DIRECTORS, auditors and financial advisers of a company which is the subject of a contested takeover bid, can owe a duty to identified bidders to take reasonable care in making financial statements on which the bidders could foreseeably rely when deciding whether to make or increase their offer.

The Court of Appeal so held when allowing an appeal by Morgan Crucible Co plc, from Mr Justice Hoffmann's decision (*FT, July 27 1990*) refusing it leave to amend its pleadings in a negligence claim against financial adviser, Hill Samuel Bank Ltd, auditors, Judkins & Co, and the chairman and directors of First Castle Electronics plc.

LORD JUSTICE SLADE giving the judgment of the court, said that on December 6 1985, Morgan Crucible announced a proposed unsolicited offer to acquire First Castle's entire issued share capital.

At the date of the announcement First Castle's most recent published financial statements were its report and audited accounts for years ended January 31 1984 and January 31 1985.

On December 17 Morgan Crucible published a formal offer document addressed to First Castle shareholders.

During the takeover Morgan Grenfell & Co advised the bidders. Hill Samuel advised First Castle.

Over the following weeks, First Castle, acting by its directors, sent shareholders a number circulars. They were also issued as press releases by Hill Samuel. Copies were supplied to Morgan Crucible's advisers.

A circular sent out on December 19 1985 compared Morgan Crucible's profit record unfavourably with First Castle's, and recommended that the offer be refused.

Subsequent circulars referred to the published financial statements. A circular of December 31 stated they were available for inspection.

A circular of January 24 1986 forecast a 38 per cent increase in profits before tax in the year to January 31 1986. It included a letter from the auditors stating that the profit forecast had been properly compiled; and a letter from Hill Samuel stating that in its opinion the profit forecast had been prepared after due and careful enquiry.

On January 29 Morgan Crucible increased its bid. On January 31 First Castle's board sent a further letter to shareholders recommending that the bid be accepted. On February 14 the bid was declared unconditional. On February 27 a further recommendation was sent.

Morgan Crucible asserted that the financial statements (audited and unaudited) issued prior to the bid, the profit forecast issued on January 24, and the financial material contained in the circulars and recommendation documents were negligently prepared and misleading and that, had it known the true facts, the bid would never have been made or completed.

On May 6 1987 Morgan Crucible issued a writ joining as defendants Hill Samuel, the auditors, and First Castle's chairman and board.

The gist of the statement of claim was that the board and auditors were responsible for putting the financial statements into circulation; that they and Hill Samuel were responsible for the profit forecast; that all of them owed a duty of care to Morgan Crucible as a person who could foreseeably rely on them; that the statements and forecast were negligently prepared; and that Morgan Crucible relied on them in making and increasing their offer, and thereby suffered heavy loss.

The action was set down for trial in January 1991. On February 8 1990 the House of Lords delivered judgment in *Caparo Industries v Dickman [1990] 2 WLR 358* on trial of a preliminary issue.

It held in effect that in certifying accounts for the purpose of the Companies Act 1985, an auditor owed no duty of care to a potential takeover bidder, since there was no sufficient relationship of proximity between auditor and bidder.

In *Caparo* all the representations relied on had been made *before* an identified bidder had emerged. In the present case some of the relevant representations were made *after* a bidder had emerged, as a direct outcome of the bid. They were clearly made with that identified bidder in mind.

In those circumstances Morgan Crucible applied for leave to amend its statement of claim, to restrict the claim to representations made by the defendants after the bid, during the takeover battle.

It was common ground that the proper test in considering whether Morgan Crucible's proposed amendments should be allowed was whether they would survive an application under RSC Order 18 rule 19(1)(a) to strike them out as disclosing "no reasonable cause of action". The court was required to assume that the facts pleaded were true. Its function was simply to decide whether, on those assumed facts, Morgan Crucible would be bound to fail in establishing the existence of a duty of care.

Mr Justice Hoffmann decided the case could *not* be *distinguished* from *Caparo*. In his judgment, despite the proposed amendments, the case was bound to fail because of the absence of any duty of care.

It was common ground that in view of *Caparo* none of the defendants owed a duty of care to Morgan Crucible *before* the initial bid was made.

Since *Hedley Byrne [1964] AC 465* it was well established (a) that persons professing expertise who made representations implicitly presented as having been carefully considered, might in some circumstances be held to owe a duty of care not to mislead a person to whom the representation was made and/or a person to whom they knew the representations would be passed on, provided that the representors knew or should know, that the other would rely on what they said; and (b) that breach of that duty might give rise to liability in negligence, even though the loss was only financial.

On the assumed facts it was foreseeable by the defendants that Morgan Crucible would or might suffer financial loss if the representations were inaccurate. However, foreseeability alone would not suffice to found tortious liability in negligence. There must be a sufficient "relationship of proximity" between plaintiff and defendant. It must also be "just and reasonable" to impose liability on the defendant.

In *Caparo* Lord Oliver deduced from *Hedley Byrne* that the necessary relationship between the maker of a statement or giver of advice and the recipient who relied on it might exist where: (1) the advice was required for a purpose; (2) the adviser knew his advice would be communicated to the advisee specifically or as a member of a class, to be used by him for that purpose; (3) it was known that the advice was likely to be acted on by the advisee for that purpose without independent inquiry; (4) it was so acted on by the advisee to his detriment.

In *Caparo* the fatal weakness in the plaintiffs' case, which negatived the existence of a relationship of proximity, was the fact that the auditors' statement *had not been given for the purpose for which the plaintiff had relied on it*.

It was at least arguable that the present case could be distinguished from *Caparo*. On the assumed facts the directors, in making the representations, were aware that Morgan Crucible would rely on them for the purpose of deciding whether to make an increased bid, *and intended that they should*. Morgan Crucible relied on them for that purpose.

In those circumstances, subject to questions of justice and reasonableness, it was plainly arguable that there was a relationship of proximity between the directors and Morgan Crucible, sufficient to give rise to a duty of care.

For the same reasons it must be arguable that Hill Samuel and the auditors owed Morgan Crucible a duty of care in making their representations concerning the profit forecast and the audited accounts.

The draft amended pleading disclosed an arguable case against each defendant. Leave was given to amend the statement of claim. Appeal allowed.

For Morgan Crucible: Jonathan Sumption QC, Stephen Suttle and Andrew Nicol (Herbert Smith).

For Hill Samuel: Gordon Langley QC and Michael Brindle (Berwin Leighton).

For Judkins: Nicholas Bratza QC, Ian Croxford and Thomas Lowe (Barlow Lyde Gilbert).

For the chairman: Leslie Kosmin (Reynolds Porter Chamberlain).

For the directors: Nigel Davis (McKenna & Co); Michael McLaren (Allison & Humphreys).

Rachel Davies
Barrister

NOTICE OF REDEMPTION

Gulf Oil Finance N.V.

10¼% Guaranteed Notes Due December 1, 1994

NOTICE IS HEREBY GIVEN that, pursuant to the Fiscal and Paying Agency Agreement dated as of December 1, 1982 among Gulf Oil Finance N.V. (the "Company"), Gulf Oil Corporation, (renamed Chevron U.S.A. Inc.), as Guarantor and Morgan Guaranty Trust Company of New York, as Fiscal Agent and Paying Agent, under which the Company issued its 10¼% Guaranteed Notes Due December 1, 1994 (the "Notes"), and the Notes, the Company has elected to and shall redeem on December 1, 1990 (the "Redemption Date") all $100,000,000 principal amount of the outstanding Notes at a redemption price of 100½% of the principal amount thereof (the "Redemption Price"), being the amount of $1,005 for each $1,000 principal amount of Notes.

The Notes shall become due and payable on the Redemption Date at the Redemption Price and shall be paid commencing December 3, 1990, the first business day after the Redemption Date, upon presentation and surrender of the Notes together with all coupons thereto appertaining maturing after the Redemption Date at the offices of the paying agents listed below. The coupons for interest due on or before December 1, 1990 should be detached and should be collected in the usual manner.

The Notes will no longer be outstanding after the Redemption Date and interest on the Notes will cease to accrue from and after the Redemption Date and the coupons for such interest shall be void.

Payment of the Redemption Price for each Note will be made at the offices of the Paying Agents set forth below, by United States dollar check drawn on a bank in New York City or by a transfer to a United States dollar account maintained by the payee with a bank in New York City. Any payment made either at the office of the paying agent in New York City or by a transfer to a United States dollar account maintained by the payee with a bank in New York City, unlike payments made at the offices of the paying agents outside the United States, may be subject to reporting to the United States Internal Revenue Service (the "IRS") and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8, certifying under penalty of perjury that the payee is not a United States person, or an executed IRS Form W-9, certifying under penalty of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Under paragraph 2(e) of the Notes, the imposition of backup withholding in these circumstances does not obligate the Company to pay any additional amounts. Holders required to provide their correct taxpayer identification number on IRS Form W-9 who fail to do so may also be subject to a U.S. $50 penalty. Notes being presented for payment at the paying agent in New York City or through a New York City bank account, should be accompanied by the appropriate certification.

PAYING AGENTS

Morgan Guaranty Trust Company of New York
Corporate Trust Operations,
13th Floor
30 West Broadway
New York, New York 10015

Morgan Guaranty Trust Company of New York
14, Place Vendome
75001 Paris, France

Morgan Guaranty Trust Company of New York
Morgan House
1 Angel Court
London EC2R 7AE
England

Banque Internationale a Luxembourg S.A.
2 Boulevard Royal
Boite Postale 2205
L-2953 Luxembourg

Morgan Guaranty Trust Company of New York
Mainzer Landstrasse 46
6000 Frankfurt-am-Main 1
Germany

Swiss Bank Corporation
Aeschenvorstadt No. 1
CH-4002
Basle, Switzerland

Morgan Guaranty Trust Company of New York
Avenue des Arts 35
1040 Brussels, Belgium

By: MORGAN GUARANTY TRUST COMPANY OF NEW YORK,
Fiscal Agent

Dated: October 25, 1990

COURSES

HOTELS & LICENSED PREMISES

CONTRACTS & TENDERS

GHANA COCOA BOARD
PROCEDURE OF BUYING COCOA FROM GHANA

The Cocoa Marketing Company (Ghana) Limited, Accra, which is a wholly-owned subsidiary of the Ghana Cocoa Board is responsible for the sale of Ghana Cocoa Beans, Cocoa Butter, Cocoa Cake, Cocoa Liqour, Coffee and Sheanuts.

REGISTRATION

Firms wishing to be registered as buyers are required:-

(1) to apply in writing direct to the Managing Director of the Cocoa Marketing Company (Ghana) Limited.

(2) provide evidence of employment in some capacity in the cocoa trade in a consuming country.

(3) that the firm could handle the commodity in the international market.

(4) provide name and address of the firm's bankers to ascertain the firm's capacity to buy at least 1,000 metric tonnes per year.

(5) provide evidence of membership of the Cocoa Association of London or the New York Cocoa Merchants Association of America or any other reputable cocoa association.

COMMUNICATION:

Registered buyers can get in touch with:

THE MANAGING DIRECTOR,
COCOA MARKETING COMPANY (GHANA) LIMITED,
P.O. BOX 1017,
ACCRA/GHANA.

TEL. 228866/5 LINES

TELEX: 2082, ACCRA : CABLES: COCOMAK

Additionally, to maintain effective contact with buyers overseas, the Company has an established office in London. The address of the London Office is as follows:-

THE COCOA MARKETING COMPANY (GHANA) LIMITED
UNIT 5 GRANARD BUSINESS CENTRE
BUNN'S LANE
MILL HILL
LONDON NW7 2DQ

TEL: 081-906-4877
FAX: 081-906-4095
TELEX: 264497/8

INVITATION FOR BIDS

Loan No	2802 TU
File No	....
Order No	114-ISB/DIB-251
Date of Issuance	1.11.1990
Bid Submission Date	20.12.1990

1. The TURKISH ELECTRICITY AUTHORITY, *hereinafter* referred to as TEK, has received a loan amounting 140,000,000 USD from the WORLD BANK in various currencies towards the cost of Power Systems Operations Assistance Project and part of the proceeds of this loan will be applied to eligible payments under the Contract(s) for which this Invitation For Bids issued.

2. The TURKISH ELECTRICITY AUTHORITY now invites sealed bids from eligible Bidders for supply of a total of hauling and hoisting for distribution systems.

All the above equipment shall be supplied according to the Bidding Documents. Each bidder may submit a bid for any item of instruments or combination of items. All bids and combination of bids shall be opened and evaluated simultaneously in order to determine the bid or combination of bids offering the total advantageous solution for TEK. The bidders shall be allowed to offer a discount price for the combination of the contract.

3. Interested eligible Bidders may obtain further information from and inspect the Bidding Documents at the office of:

TURKISH ELECTRICITY AUTHORITY
General Management
Commercial Affairs Department
Inonu Bulvari No: 27 Kat: 1
Bahcelievler Son Durak
ANKARA/TURKEY
Telex: 42245 tek tr

4. A complete set of Bidding Documents may be purchased by any interested eligible Bidder on the submission of a written application to the above office and upon payment of a non-refundable fee of 150 USD or 370.000 T.L. (Excluding KDV Tax) at the following address:
TURKISH ELECTRICITY AUTHORITY
General Management
Department of Finance
Inonu Bulvari No: 27 Kat: 4
Bahcelievler Son Durak
ANKARA/TURKEY

Those Bids submitted by the Bidders who did not purchase the Bidding Documents shall be rejected.

5. All bids must be accompanied by a bid security in an acceptable form of not less than 3% (three percent) of the bid price and must be delivered to the above office on or before 12.00 hours on 20.12.1990.

6. Bids will be opened in the presence of those Bidders' representatives who choose to attend at 14.00 hours on 20.12.1990 at the office

TURKISH ELECTRICITY AUTHORITY
General Management
Procurement Commission
Inonu Bulvari No: 27 Entrance Floor Block A
Bahcelievler Son Durak
ANKARA/TURKEY

33890

LEGAL NOTICES

OK BAZAARS ([illegible]) LIMITED
(Incorporated in the Republic of South Africa)
Notice of 6% Second Cumulative Preference Shareholders
Dividend Number [illegible]

NOTICE IS HEREBY GIVEN that the half yearly dividend of 3% has this day been declared payable on 30th November, 1990, in the currency of the Republic of South Africa, to all holders of 6% Second Cumulative Preference Shares registered in the books of the Company at the close of business on [illegible] November, 1990.

The usual non-resident shareholders' tax of 15% will be deducted where applicable.

The Register of Members will be closed in Johannesburg and London from 10th to 16th November, 1990, both days inclusive, for the purpose of processing of the above dividend.

BY ORDER OF THE BOARD

P E KRITZINGER

Secretary

Registered Office

OK Buildings
90 Eloff Street
Johannesburg 2001

Transfer Secretaries
Barclays Registrars Limited
8 Greencoat Place
London SW1P 1PL

24th October 1990.

COMPANY NOTICES

CANADIAN PACIFIC LIMITED
(Incorporated in Canada)
ONTARIO & QUEBEC RAILWAY COMPANY
5 PER CENT DEBENTURE STOCK
5 PER CENT COMMON STOCK

In preparation for the payment of the half-yearly interest payable on December 1 next, the debenture stock transfer books will be closed at 3.30 pm on November 12 and will be re-opened on December 3.

The half-yearly interest on the common stock will be paid on December 1 to holders or record on November 1.

D.R. Keast
Deputy Secretary
62-65 Trafalgar Square, London WC2N 5DY
October 25 1990

THE ROYAL BANK OF CANADA
U.S. $350,000,000 Floating Rate Debentures due 2005

In accordance with the Terms and Conditions of the Debentures, the interest rate for the period 31st October, 1990 to 30th November, 1990 has been fixed at 8.00% per annum. On 30th November, 1990 interest of U.S. $6.666666 per U.S. $1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 30th November, 1990 will be determined on 28th November, 1990.

Agent Bank and Principal Paying Agent
ROYAL BANK OF CANADA EUROPE LIMITED

COMMODITIES AND AGRICULTURE

Inco to spend $248m on new Manitoba nickel mine

By Bernard Simon in Toronto

INCO, the world's biggest nickel producer, is to spend US$248m (£125.80m) over the next six years to develop a large new underground mine and extend an existing one at its complex near Thompson, Manitoba.

In the short run, the project will replace a pit at Thompson which was depleted more quickly than expected during the period of high nickel prices between 1987 and 1989.

But the investment is also designed to cushion Inco against depletion of other ore bodies. The company said the new facilities will enable the Manitoba division to maintain annual production at about 110m lbs, with the ability to expand "to meet market opportunities".

Inco said that by using the latest mining technology, the projects will greatly increase productivity in the Manitoba division and cut production costs. The projects have received all necessary government approvals.

Almost three-quarters of the investment is earmarked for development of the I-D orebody at the existing Thompson mine. This mine will be extended northward with the construction of three 3,700-ft shafts.

Production from the I-D deposit is due to start late in 1992, yielding 37m lbs of nickel a year by 1997. The mining rate will be 3,500 tons per day.

The remaining US$67m will be used to deepen the Birchtree mine, four miles south of Thompson. On completion of the project, also in 1997, Birchtree is expected to yield 34m lbs of nickel a year from 4,500 tons of ore mined each day.

The Manitoba mines, located 600 miles north of Winnipeg, have in recent years contributed about a quarter of Inco's worldwide output, which totalled 427m lbs last year.

Extra production from Manitoba enabled Inco to maintain its output at unusually high levels when nickel prices soared between 1987 and 1989.

The company's total output averaged 430m lbs a year during this period, the highest since the mid-70s. The Manitoba division produced about 135m lbs of nickel last year, substantially above the long-term average of 110m lbs a year.

The ability to capitalise on high prices was achieved by depleting the Open Pit North at Thompson more quickly than expected. Opened in 1986 and originally slated to produce 35m lbs a year for nine or 10 years, the pit is already exhausted after yielding 265m lbs in just four years.

Western world nickel output would jump by about 30 per cent by 1995 if all the non-Inco production projects under consideration went ahead, says Mr Peter Salathiel, Inco's vice-president, marketing, writes Kenneth Gooding.

However, he says "many of these projects will not see the light of day while others will be late". Many will require *sustained* nickel prices in the US$4 to $6 a lb range to be profitable or even to go ahead.

Mr Salathiel points to more than 20 non-Inco nickel projects under consideration which in theory could lift the western world's annual production capacity by about 450m lbs to 1.95bn lbs (including 200m lbs of imports from the Soviet Union) by 1995. "So adequate nickel resources are available if they be required and if consumers are willing to pay the necessary price."

He predicts that nickel demand in the western world this year will reach a record 1.475bn lbs, up from 1.45bn lbs in 1989, and outpace supply by 25m lbs. Last year there was a 30m lbs supply surplus.

While the outlook for 1991 is "very hazy", nickel demand and supply are likely to remain at the 1990 levels – as long *as the oil price remains* between US$25 and $30 a barrel, he says.

Nigerian authorities conflict over plan to ban cocoa exports

by William Keeling

CONFLICTING signals are being given by the Nigerian authorities over the proposed ban on the export of raw cocoa from next January.

Alhaji Abubakar Alhaji, the minister of finance, said last week that the ban was being reconsidered.

However, this has been strongly denied by a senior official of the central bank who claims that sufficient processing capacity will be in place by next April to satisfy this season's crop of 160,000 tonnes.

The official said that the central bank had released US$24m (£12.10m) for the establishment of six cocoa-processing factories. The loans were made under an African Development Bank export promotion facility and attract below commercial interest rates.

Of the six firms, four have issued letters of credit and construction of factories with a combined capacity of 50,000 tonnes per annum had begun.

The official said that the factories would be operational by next April. The two firms yet to issue letters of credit are planning factories with a combined capacity of 23,000 tonnes. The official said that all six firms have guaranteed export orders.

A further $8m has been released by the central bank for the rehabilitation of Nigeria's three existing processing factories. They have a combined capacity of 90,000 tonnes per annum but last year processed less than 15,000 tonnes.

The central bank official said the three factories would also be fully operational by next April.

He concluded that, as a result of the new investment, government committees reviewing the proposed ban had confirmed January as the *date for its imposition.*

Speaking on the proposed ban early last week, however, the minister of finance strongly suggested that the ban would at the very least be modified. Alhaji Alhaji tacitly accepted that sufficient processing capacity would not be in place for the present season.

The financiers of one of the new processing factories also agreed that operations were unlikely to commence before October next year.

Alhaji alhaji said he had received a delegation of London cocoa merchants to discuss the implications of the ban.

Representatives of Nigerian cocoa farmers are expected to meet government officials later this week to voice their concerns. The minister also revealed that the World Bank, which supports Nigeria's structural adjustment programme, is against the ban.

He said that the final decision by government, which is unlikely *to be announced* before the budget speech on January 1, would "take into full consideration" all the issues.

Mexico oil exports rise by surprise 170,000 b/d

By Richard Johns in Mexico City

MEXICO has unexpectedly been able to boost exports of crude oil by almost 170,000 barrels a day since the Gulf crisis started at the beginning of August.

Exports were 1.37m barrels a day last month, the highest monthly level since 1986, and far in excess of the 100,000 b/d extra promised *following* the US request for more supplies. The figure has astonished many observers of the oil industry, and compares with 1.30m b/d in August and 1.21m b/d in July.

The sharp increase comes at a time of mounting concern at Pemex's ability to raise output without severely damaging its reservoirs and in the midst of a lively debate over whether petroleum should be included in forthcoming trade negotiations with the US and Canada.

Officials of the two North American countries have said that it will have to be included while their Mexican counterparts say it will be excluded.

With local demand up 5.3 per cent in the first eight months *of 1990 and expansion likely* – even in the medium-term – because of lack of past investment, several studies have shown that Pemex could become an importer by the end of the century or earlier.

Mr Christopher Whalen, vice-president of the Whalen Corporation Washington-based firm of consultants, was quoted yesterday by the newspaper El Financiero as saying that the "even with massive investments Mexico will become importers by 1997."

Shortfall on Guyana's sugar quota

By Canute James in Kingston

THE European Community has accepted Guyana's plea of force majeure for a 13,000 tonnes shortfall on its sugar quota for the 1990 delivery period, according to a senior government official.

He said the EC's decision meant that Guyana's quota would not be reduced by the amount of the shortfall, which the EC sometimes does, reallocating it to other producers.

It is the second consecutive year that such a plea by Guyana has been entertained by the EC, following a 35,000 tonnes shortfall last year.

Guyana, which has an EC quota of 167,000 tonnes per year, last year produced 164,800 tonnes.

EC to renew milk quotas in 1992

By Bridget Bloom

MILK QUOTAS introduced against farmers' wishes by the European Community in 1984 will have to be renewed in 1992, to avoid "an erratic downward adjustment of milk prices", a senior Commission official said yesterday.

Mr Joel Vandamme, head of the Commission's dairy division, told an Agra-Europe conference in London that the most urgent short-term problems in the dairy sector were the growing surpluses of butter and skimmed milk powder. These have arisen partly because quotas have failed to match production to demand, but also because demand is declining.

Mr Vandamme denied that quotas had failed. Their aim when introduced in 1984 and renewed in 1987 was to stabilise both milk output and spending, at the same time safeguarding farmers' incomes. In these terms he claimed quotas had been a "considerable success" and were now acclaimed by farmers and member states' governments alike.

Some improvement to the quota system might be suggested by the Commission, when it puts forward its proposals for the new milk regime in the spring. These were unlikely to include making quotas tradeable across national boundaries since – despite the approaching single market – most member states opposed such a move.

Mr Vandamme did envisage the possibility of extending the use of the superlevy – paid when member states go over quota –to increase the Commission's control over production.

The gloomy short-term outlook, at least for the dairy sector, was outlined by several speakers yesterday, drawing attention to growing stocks, reducing producer prices and static consumption, particularly of butter and skimmed milk powder.

At the end of October public intervention stocks of butter were 203,274 tonnes which, while small compared with the 1m tonnes surpluses of the late 1980s, has still been accumulating at *20,000 tonnes* a month since the beginning of the year.

This is partly because of a 1.7 per cent increase in butter production, with fewer export markets in eastern Europe but also because EC butter consumption has dropped sharply – in Germany for example by as much as 10.7 per cent this year. Stocks of skimmed milk powder have built up to 330,000 tonnes so far this year.

At the same time, producers have been experiencing a sharp decline in prices, in some member states by some 15 per cent.

One of the few bright spots have been increasing markets for products like yoghurt and fresh cheeses.

There has been much speculation that the Commission will endeavour to cut quotas by at least 3 to 5 per cent in 1990-91 in an effort to cut back milk production. Mr Vandamme said the Commission had as yet no specific proposals and "no specific figure in our minds".

Motivation brings sweet success

Polish beet factories reap the rewards of a $5m British Sugar deal

FARMER'S VIEWPOINT

By David Richardson

A*N INVESTMENT* of US$5m (£2.50m) has given British Sugar control of the seventh biggest industrial joint venture in Poland. The deal, just over a year ago, gave the Berisford subsidiary a 51 per cent share in two sugar-beet factories about 150 kilometres north of Warsaw, and a potentially leading role in the development of agri-business in the newly-democratised country.

The joint venture with the Polish government and its export agency, Polimplex, which is capable of producing about 40,000 tonnes of sugar per year, has been named Sugarpol.

At first it seems insignificant alongside the 76 other newly-independent sugar-beet factories in Poland, which have a total annual production capacity of over 1.6m tonnes. But British Sugar's influence looks like being out of all proportion to its present investment.

Indeed, *had it not* been for the continuing uncertainty of the future ownership of its parent company, it seems probable that British Sugar would have already increased its involvement in eastern Europe.

In this first harvesting campaign under British Sugar's control, the Polish Sugarpol appears to be succeeding. When I visited one of the factories at Unislaw a few days ago, it was about halfway through processing this year's crop. The work was proceeding, apparently, at rates which had never before been matched at the plant.

This was partly as a result of a few gadgets installed by British Sugar but mostly, it was claimed, due to the new-found enthusiasm of the Polish workforce who had been motivated by a small band of Britons seconded to Poland to oversee the operation.

But the venture has not all been trouble-free. A couple of weeks ago, the other Sugarpol factory at Ostrawite was closed because of a blockade of beet-growers unhappy over prices. The dispute lasted 10 days until British Sugar conceded a massive price increase from 140,000 zlotys per tonne to 180,000.

The new price, incidentally, is worth about £10, or roughly one-third the EC price and that *currently being paid by British* Sugar to UK sugar-beet growers. Nevertheless, it takes the Sugarpol price, allowing for processing costs, above the world price and British Sugar only conceded it after hearing official suggestions that sugar exports from Poland would be subsidised by 30 per cent.

The expectation was that the other sugar-beet factories in Poland would follow Sugarpol's example and pay a similar price.

The main difficulty faced by farmers and factories alike is the rate of cost-inflation in Poland and the declining value of the zloty. Last week, it was 18,000 to £1; before Saddam Hussein invaded Kuwait it was 15,000 to £1. I was assured, however, that inflation had slowed from its peak last January of 40 per cent in the month. Through the summer, the rate has been *less than 10 per cent.*

Add to that the withdrawal of guaranteed prices which had applied to most farm commodities under the communist regime and the introduction of free market forces and it is clear that much of Poland's farming community, which represents 30 per cent of the entire population of 40 million, is feeling insecure.

Eighty per cent of the country's land is occupied by small private farmers and the aver*age size of holding is a mere* five hectares. Twenty per cent of those farmers are said to be above retirement age and at least 30 per cent are estimated to be facing bankruptcy.

Suddenly, they are having to calculate profitability and to make relative return comparisons between enterprises.

Moreover, many Polish farmers have discovered from recent experience that they cannot now make profits from milk production or from *keeping* sheep. Dairy cow numbers and sheep flock sizes are, therefore, being drastically cut in favour of increasing pig herds which happen to be profitable at the moment.

Paradoxically, that trend has also affected the popularity of sugar-beet. Many were traditionally grown mainly for their tops – the leaves and crowns of the root – which are excellent fodder for cattle and sheep, either fresh or ensiled. Now that the numbers of those types of livestock are declining, farmers are turning to other crops, such as wheat and oil-seed rape, which do not involve so much work, and demanding more money to continue growing sugar-beet for the roots alone.

I was not surprised that the Poles were pleased to find excuses not to grow the crop. *They used crude hand methods* with much of the hardest work done by women.

Rural Solidarity, which represents the farmers in price negotiation, reckons, in fact, that the time needed to grow, weed and harvest a hectare of sugar-beet is 450 hours. In the UK, the comparable figure would be 32 to 50 hours – although we have access to much better machinery.

Bridging that enormous gap in efficiency is one of the priorities that British Sugar has set itself, although with each farmer supplying to its factories growing less than a hectare of sugar-beet it will be a mammoth communications task. In theory, they should be able to bring newly-privatised state farm enterprises, which represent 20 per cent of Polish farmland, up to date quicker but here, too, ingrained prejudices and outdated methods predominate.

It was not unusual, I was *told, even on such state farms* which run to 5,000 hectares, for sugar-beet to be planted into land that has a high acid-content which depletes both yield and sugar because the managers had previously failed to locate the lime needed to correct the problem, something else which British Sugar has to tackle.

The British Sugar executives responsible for the Polish venture are confident that they can; and will, build a worthwhile business in Poland, which will show a 20 per cent return on capital invested – new owners of Berisford, whoever they may be, permitting.

They believe there will be opportunities to export Polish sugar to other Eastern-bloc countries and beyond, and that it will add to the company's strength and help build its international standing.

WORLD COMMODITIES PRICES

MARKET REPORT

Copper prices fell sharply on the LME yesterday, reflecting further weakness on Comex, where poor fundamentals have taken over *from technical considerations.* The market appears to be heading towards the $2,580 chart support base for three-month metal. Penetration of that level would suggest a return to the recent 15-week low of $2,524 a tonne, analysts said. LME warehouse stocks are expected to be down some 2,000 tonnes today, although the current total of 184,025 tonnes continues to weigh on the market, traders said. The lower copper market, coupled with a lack of Japanese buying, hit aluminium prices, and buyers backed away ahead of today's stock figures, which are expected to show a substantial increase. Traders see *the three-month price testing the* recent $1,725 low today unless consumer demand returns. Cocoa prices eased in London and were sharply down at midday in New York following the Ivory Coast elections at the weekend. New York analysts said there was little evidence of civil unrest in the world's largest cocoa producer despite opposition accusations of ballot-box stuffing and remarks that the country was on the brink of civil war.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$29.80-9.90y	+.525
Brent Blend (dated)	$34.55-4.65	+.75
Brent Blend (December)	$33.60-3.70	+.70
W.T.I (1 pm est)	$34.50-4.55y	+.66
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$368-373	+10
Gas Oil	$321-323	+13
Heavy Fuel Oil	$133-135	+2.5
Naphtha	$340-345	+5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$372.75	-0.25
Silver (per troy oz)♣	411c	-5.00
Platinum (per troy oz)	$415.85	-2.75
Palladium (per troy oz)	$94.70	-0.05
Aluminium (free market)	$1885	-45
Copper (US Producer)	131⅞c	-½
Lead (US Producer)	50c	
Nickel (free market)	420c	+5
Tin (Kuala Lumpur market)	16.35r	-0.13
Tin (New York)	287c	
Zinc (US Prime Western)	70c	
Cattle (live weight)†	102.77p	-1.84*
Sheep (dead weight)†	139.51p	+15.1*
Pigs (live weight)†	70.89p	-2.20*
London daily sugar (raw)	$248.0q	-2.8
London daily sugar (white)	$305.5q	-0.5
Tate and Lyle export price	£233.50	-1.5
Barley (English feed)	£119v	
Maize (US No. 3 yellow)	£157.25	
Wheat (US Dark Northern)	£91	
Rubber (Dec)♥	60.25p	-0.25
Rubber (Jan)♥	60.50p	-0.25
Rubber (KL RSS No 1 Nov)	237.5m	+0.50
Coconut oil (Philippines)§	$315.0w	-2.5
Palm Oil (Malaysian)§	$302.5v	
Copra (Philippines)§	$212.5t	
Soyabeans (US)	£137.5	-2.0
Cotton "A" index	82.35c	-0.05
Wooltops (64s Super)	408p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Jan. u-Oct/Dec v-Nov. w-Dec/Jan z-Jan/Mar y-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)				
Raw	Close	Previous	High/Low	
Dec	219.00	215.00	214.00	
Mar	211.00	209.60	211.40	208.80
May	211.80	210.60	212.40	210.40
Aug	213.40	212.60	213.00	212.60
Oct	214.40	213.40	214.60	213.00
Mar	216.00	214.00	213.60	
White	Close	Previous	High/Low	
Dec	300.0	297.8	299.0	
Mar	295.8	293.0	295.0	292.0
May	295.0	293.0	296.0	292.0
Aug	299.0	297.0	297.5	295.5
Oct	285.0	284.0	283.5	282.0
Dec	283.0	281.5	280.0	
Mar	284.0	283.0	281.0	

Turnover: Raw 1288 (1719) lots of 50 tonnes. White 679 (1401)
Paris- White (FFr per tonne): Dec 1497 Mar 1487, May 1492, Aug 1517, Oct 1455

CRUDE OIL – IPE ($/barrel)	Latest	Previous	High/Low	
Dec	33.60	32.05	34.04	33.25
Jan	32.45	30.90	32.80	32.15
Feb	31.20	29.60	31.50	30.90
Mar	29.00	28.05	29.00	
Apr	29.00		29.00	
May	27.00		27.00	
IPE Index	34.46	31.92		

Turnover: 13156 (24504)

GAS OIL – IPE ($/tonne)	Latest	Previous	High/Low	
Nov	307.25	294.25	309.00	302.00
Dec	295.75	286.75	300.00	291.50
Jan	285.50	278.50	288.50	282.00
Feb	272.00	266.00	277.00	272.00
Mar	258.00	250.00	260.00	256.00
Apr	245.00	235.00	250.00	235.00
May	239.00	234.50	239.00	
Jun	236.00		236.00	

Turnover 12511 (15812) lots of 100 tonnes

TEA

There was good general demand this week, reports the Tea Brokers' Association. Medium and better quality assams were again well supported and showed rises of 5p to 10p per kilo. Bangladesh teas sold at firm rates. Bright liquoring Africans remained very firm while medium descriptions opened 1p to 3p dearer. Plainer teas attracted more support at fully firm rates. Ceylons met good demand at generally dearer rates. Quotations: Quality 230p nominal, medium 137p, low medium 78p.

COCOA – London FOX (£/tonne)	Close	Previous	High/Low	
Dec	689	682	691	685
Mar	712	725	722	710
May	737	750	745	735
Jul	760	772	767	759
Sep	781	795	785	780
Dec	809	823	800	808
Mar	835		838	

Turnover: 3267 (3040) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 26 917.90 (920.58) 10 day average for Oct 29 897.81 (898.50)

COFFEE – London FOX (£/tonne)	Close	Previous	High/Low	
Nov	564	560	568	560
Jan	582	578	587	578
Mar	572	565	576	569
May	582	574	583	580
Jul	600	591	600	598
Sep	614	605	614	610
Nov	629	621	629	

Turnover: 3898 (6568) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 26: Comp. daily 72.72 (72.78). 15 day average 73.96 (74.11)

POTATOES – BFE (£/tonne)	Close	Previous	High/Low	
Apr	142.0	139.4	141.5	138.5

Turnover 105 (184) lots of 40 tonnes.

SOYAMEAL – HI-PRO (£/tonne)	Close	Previous	High/Low	
Feb	122.50	123.00	123.00	122.50
Apr	125.00	125.00	125.00	
Jun	123.50	124.50	123.50	

Turnover 100 (165) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)	Close	Previous	High/Low	
Nov	1275	1270	1270	1250
Jan	1235	1244	1240	1215
Jul	1090		1090	
BFI	1312	1320		

Turnover 227 (167)

GRAINS – BFE (£/tonne)				
Wheat	Close	Previous	High/Low	
Nov	114.30	114.60	114.60	114.25
Jan	118.60	118.90	118.90	118.65
Mar	122.40	122.30	122.50	122.35
May	125.70	125.70	125.70	
Barley	Close	Previous	High/Low	
Nov	113.10	113.20	113.45	113.10
Jan	117.35	117.50	117.50	
Mar	120.45		120.50	

Turnover: Wheat 105 (171), Barley 77 (7). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg	Close	Previous	High/Low	
Nov	96.5	96.5	95.5	95.0
Jan	92.5	93.0	92.0	
Feb	93.5	94.0	93.0	

Turnover 33 (31) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 18,407 lots
Cash	1890-5	1960-5		1895-900		
3 months	1741-4	1785-7	1770/1737	1744-5	1735-7	73,079 lots
Copper, Grade A (£ per tonne)						Total daily turnover 18,957 lots
Cash	1356-8	1407-8	1370/1355	1368-7		
3 months	1349-50	1393-4	1364/1345	1354-5	1349-50	106,802 lots
Lead (£ per tonne)						Total daily turnover 1,888 lots
Cash	371-3	371-3		364-5		
3 months	374.5-5	375-6	375/371	370-0.5	374-5	10,793 lots
Nickel ($ per tonne)						Total daily turnover 1,454 lots
Cash	9000-50	9075-125	9075/9050	9050-75		
3 months	8625-50	8675-700	8700/8625	8650-75	8625-50	7,858 lots
Tin ($ per tonne)						Total daily turnover 1,257 lots
Cash	6180-200	6200-20		6190-200		
3 months	6180-200	6200-20	6195/6180	6190-200	6180-90	8,672 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 11,029 lots
Cash	1340-2	1335-6	1342/1341	1340-1		
3 months	1325-7	1335-6	1335/1322	1330-1	1320-2	18,976 lots

LME Closing £/$ rate:
SPOT: 1.9535 3 months: 1.9263 6 months: 1.9067 9 months: 1.8937

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	372½-373	190½-191
Opening	370-370½	189¼-189¾
Morning fix	371.00	189.547
Afternoon fix	372.70	190.658
Day's high	373-373½	
Day's low	369¾-370¼	

Coins	$ price	£ equivalent
Mapleleaf	381-386	195-198
Britannia	381-386	195-198
US Eagle	381-386	195-198
Angel	381-386	195-198
Krugerrand	371-374	190-192
New Sov.	87-89	44½-45
Old Sov.	87-89	44½-45
Noble Plat	420.80-427.55	215.15-218.60

Silver fix	p/fine oz	US cts equiv
Spot	207.85	407.00
3 months	215.00	415.20
6 months	221.90	422.95
12 months	234.30	439.20

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Jan	Dec	Jan
1700	115	95	22	43
1800	56	47	62	93
1900	22	20	127	163
Copper (Grade A)	**Calls**		**Puts**	
2550	143	131	29	61
2650	81	81	66	109
2750	40	45	124	171
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
550	44	45	12	24
600	16	25	36	53
650	6	13	74	91
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
650	72	87	3	26
700	34	59	15	48
750	12	39	43	70
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
3000				
3050				
3100			200	

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Oct	373.7	370.9	374.1	374.1
Nov	373.7	371.0	0	0
Dec	375.8	373.2	376.5	372.9
Feb	379.8	377.3	380.7	377.0
Apr	383.4	381.0	383.8	381.0
Jun	387.3	384.9	388.0	385.5
Aug	391.2	388.8	391.2	0
Oct	395.2	392.8	0	0
Dec	399.2	396.8	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Jan	418.3	413.4	419.5	411.5
Apr	423.6	418.7	421.0	417.0
Jul	428.7	423.9	422.0	422.0
Oct	410.4	415.8	415.0	413.0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Oct	412.7	405.0	414.0	410.5
Nov	412.9	405.2	0	0
Dec	415.7	408.0	416.0	405.5
Jan	417.7	410.0	410.0	410.0
Mar	424.7	417.0	425.0	415.0
May	430.8	422.9	430.0	421.0
Jul	436.5	428.8	437.0	428.5
Sep	442.5	434.8	440.0	432.5
Dec	451.1	443.4	450.0	439.0
Jan	453.7	446.0	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	119.70	127.20	126.00	118.00
Nov	119.20	124.00	120.75	118.00
Dec	117.30	119.80	118.20	116.10
Jan	114.70	117.10	115.10	114.50
Mar	111.30	113.20	111.70	110.40
Apr	110.35	112.10	0	0
May	109.40	111.10	109.50	108.25
Jun	108.80	110.50	108.00	0
Jul	107.00	108.35	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Dec	34.51	33.01	34.85	33.90
Jan	33.20	31.87	33.60	32.75
Feb	31.86	30.54	32.20	31.50
Mar	30.65	29.44	30.90	30.45
Apr	29.56	28.46	29.95	29.40
Jul	27.35	26.21	27.45	27.15
Aug	26.76	25.66	26.89	26.70

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low	
Nov	9215	8825	9400	9160
Dec	9310	8925	9500	9260
Apr	8130	7883	8350	8115
May	7805	7553	8060	7805
Jul	7475	7255	7500	7475

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
Dec	1174	1218	1212	1172
Mar	1236	1278	1266	1231
May	1273	1312	1303	1273
Jul	1309	1348	1330	1323
Sep	1339	1378	1373	1373
Dec	1379	1418	1390	0
Mar	1414	1453	0	0

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
Dec	92.50	91.60	92.70	90.80
Mar	95.90	95.00	96.00	94.40
May	98.05	97.15	98.05	97.05
Jul	100.20	99.20	100.20	99.00
Sep	102.40	101.40	0	0
Dec	104.85	104.25	0	0
Mar	105.75	106.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Mar	9.39	9.33	9.40	9.29
May	9.44	9.39	9.45	9.32
Jul	9.46	9.41	9.46	9.35
Oct	9.49	9.43	9.49	9.41
Mar	9.58	9.58	9.58	9.50

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
Dec	75.45	74.26	75.55	74.40
Mar	75.00	74.10	75.25	74.30
May	75.20	74.62	75.35	74.72
Jul	75.35	74.74	75.40	74.80
Oct	68.50	68.15	68.50	68.15
Mar	68.00	67.16	67.25	0

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Nov	115.50	115.90	117.00	114.75
Jan	110.50	110.75	111.00	108.50
Mar	111.00	111.30	111.25	110.00
May	111.25	111.25	111.25	110.40
Jul	111.25	111.25	111.20	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Oct 29	Oct 26	mnth ago	yr ago
1714.9	1724.0	1766.1	1875.3

DOW JONES (Base: Dec. 31 1974 = 100)	Oct 26	Oct 25	mnth ago	yr ago
Spot	125.92	126.98	128.67	130.80
Futures	127.76	126.77	131.21	129.49

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Nov	591/0	594/6	595/6	590/0
Jan	607/0	611/0	612/4	607/0
Mar	621/6	626/0	627/0	621/6
May	636/0	640/2	640/2	635/0
Jul	645/0	649/4	651/0	645/0
Aug	645/4	649/6	650/0	645/4
Sep	625/4	627/4	630/0	625/4
Nov	618/0	620/2	622/4	617/4
Jan	629/4	632/4	631/0	629/4

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Dec	21.80	21.82	21.93	21.72
Jan	22.06	22.12	22.21	22.02
May	22.90	22.97	23.02	22.90
Jul	23.15	23.20	23.25	23.11
Aug	23.20	23.20	0	0
Oct	22.90	22.80	22.90	22.80
Jan	22.75	22.70	0	0

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
Dec	178.0	179.8	180.0	177.8
Jan	180.3	182.2	182.4	180.2
Mar	184.6	186.1	186.4	184.4
May	186.7	188.2	188.5	186.7
Jul	189.0	190.1	190.2	188.9
Aug	189.0	190.0	190.5	189.0
Sep	188.0	188.0	189.0	187.8
Oct	185.0	185.5	185.0	185.0
Dec	186.0	186.5	186.8	185.4

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Dec	226/6	227/6	229/4	226/2
Mar	236/2	237/2	239/2	235/6
May	244/2	243/6	245/6	242/2
Jul	249/2	247/6	250/0	246/4
Sep	247/4	247/0	249/4	248/2
Dec	247/6	247/6	249/6	246/6
Mar	254/0	254/0	255/6	253/0

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Dec	261/2	262/2	263/0	260/0
Mar	275/0	276/0	277/0	274/4
May	282/4	283/0	284/0	281/4
Dec	303/0	301/4	303/0	301/0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Dec	77.32	77.87	77.82	77.32
Feb	74.52	74.85	74.82	74.47
Apr	75.10	75.37	75.47	75.02
Jun	72.92	73.25	73.25	72.85
Aug	71.40	71.57	71.70	71.40
Oct	71.80	72.10	72.10	71.80
Dec	72.20	72.10	72.20	0

LIVE HOGS 30,000 lb; cents/lbs	Close	Previous	High/Low	
Dec	51.45	52.95	52.65	51.45
Feb	49.47	50.37	50.32	49.35
Apr	46.75	47.32	47.20	46.72
Jun	50.50	50.95	50.95	50.35
Jul	50.85	51.30	51.17	50.75
Aug	49.35	49.82	49.70	49.25
Oct	44.80	45.30	45.00	44.90
Dec	45.02	45.20	0	45.00

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
Feb	60.95	62.95	62.10	60.95
Mar	60.82	62.82	62.00	60.65
May	60.65	62.62	[illegible]	[illegible]
Jul	59.60	61.45	[illegible]	[illegible]
Aug	57.87	59.57	58.60	57.87

LONDON STOCK EXCHANGE

Few features in a nervous session

Account Dealing Dates		
*First Dealings:		
Oct 22	Nov 5	Nov 19
Option Declarations:		
Nov 1	Nov 15	Dec 6
Last Dealings:		
Nov 2	Nov 16	Dec 7
Account Day:		
Nov 12	Nov 26	Dec 17

*New-time dealings may take place from 8.30 am two business days earlier.

HOPES FOR lower interest rates in the US provided the only real bright spot yesterday for a London stock market unnerved by renewed uncertainties in the Gulf and by gloomy developments in the UK corporate sector. With Wall Street slipping off the top early in its new session, London failed to sustain an attempt to edge into higher ground and ended the day hardly changed from Friday's close.

The growing uncertainty about a diplomatic resolution to the Gulf crisis, with the Soviet efforts apparently meeting difficulties, was reflected in firmer crude oil prices which in turn made for a discouraging opening for the UK stock market. Despite the higher crude oil prices, however, sterling was a shade easier, as it reacted cautiously to Britain's isolation at the European Community summit in Rome over the weekend and also to the latest UK public opinion polls showing another very poor rating by the Conservative government.

These factors inspired an initial fall in the UK equity market which then gave further ground in the first hour of the session. A rally then set in and the market had successfully moved back to near its pre-weekend levels when investment sentiment turned cautious again ahead of Wall Street's opening. President Bush's plea for lower US interest rates, following his acceptance of the budget compromise package approved by Congress, turned London's eyes towards the US credit markets. The UK market gathered confidence as Wall Street opened higher, only to back away again when New York came off the top.

The final reading put the FT-SE Index at 2,062.1, a fall of one point on the day. Once again traders noted an absence of selling pressure – one leading house saw the day's trading book slanted 70 per cent to the buy side. Market strategists continue to take a relatively calm view of the outlook for equities, although all agreed that any outbreak of fighting in the Gulf could change the picture very quickly.

BZW, the UK investment bank, said that the FT-SE is "back in a buying range", adding that it retains its positive stance towards the market as the Footsie stands below the firm's buying level of 2,100, "with another cut in interest rates in prospect". BZW estimates that aggregate institutional cash is now around £32bn, and presents a major supporting factor for the stock market.

The international blue chips followed Wall Street slavishly for the final hour of trading. Both ICI and Glaxo closed with minor gains, having advanced and then retreated in time with the Dow Industrial Average. ICI recorded turnover of 2.5m shares – reasonable by yesterday's market standards, but Glaxo had a thin day.

Indeed, yesterday's session was featured chiefly by the lack of investment activity. Seaq volume was unimpressive at 300m shares against Friday's 387.3m; but in fact around 50m of yesterday's total consisted of one share deal in Barbican Holdings, a "penny stock" in the Third Market, rated as a Gamma stock in which dealings are virtually by negotiation. The Barbican deal appeared to reflect a cross move in holdings by two institutions.

The FT-SE Eurotrack 100 market index, making its first appearance on trading screens yesterday, registered a fall of 1.53 points at 998.47; it is based on real-time prices in 100 leading European shares, rebased at 1,000 last Friday.

FINANCIAL TIMES STOCK INDICES

	Oct 29	Oct 26	Oct 25	Oct 24	Oct 23	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.91	78.96	80.06	79.95	79.87	84.45	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.73	88.78	88.75	88.86	88.86	93.86	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1600.0	1598.4	1617.5	1636.9	1654.7	1701.7	1968.3 (3/1)	1610.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	168.1	170.6	172.7	168.8	169.0	223.8	378.5 (6/2)	163.2 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2062.1	2063.1	2088.7	2110.5	2127.0	2112.2	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	998.47	-	-	-	-	-	-	-	-	-
Ord. Div. Yield	5.98	5.99	5.92	5.85	5.79	4.85				
Earning Yld %(full)	12.46	12.47	12.34	12.18	12.07	11.68				
P/E Ratio(Net)(*)	9.73	9.71	9.82	9.95	10.04	10.35				
SEAQ Bargns 4.45pm	17,746	19,292	16,778	18,510	19,004	19,628				
Equity Turnover(£m)†	-	652.75	576.05	653.48	650.80	563.7				
Equity Bargains†	-	17,505	[illegible]	17,789	18,448	19,650				
Shares Traded (ml)†	-	318.4	272.4	375.0	383.4	417.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 [illegible]

Ordinary Share Index, Hourly changes Day's High 1601.2 Day's Low 1591.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1593.1	1594.8	1591.8	1598.9	1600.5	1601.0	1600.9	1599.0	1599.9

FT-SE, Hourly changes Day's High 2063.4 Day's Low 2052.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2058.5	2057.5	2052.9	2059.7	2062.9	2061.4	2062.2	2059.8	2062.1

FT-SE Eurotrack 100, hourly changes Day's High 1000.17 Day's Low 990.62

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
990.72	992.42	995.37	996.25	996.85	997.17	1000.15

GILT EDGED ACTIVITY

Indices*	Oct 26	Oct 25
Gilt Edged Bargains	117.1	106.2
5–Day average	101.7	98.9

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	1,500	104½	+1½
ASDA Group	587	121	
Abbey National	2,400	212½	−1
Allied-Lyons	1,000	[illegible]	+8
Amstrad	317	39	
Anglian Water	[illegible]	[illegible]	+2
Argos	[illegible]	[illegible]	−1
Argyll Group	735	245	+1
Ass. Brit. Foods	32	[illegible]	−2
BAA	1,400	364	−4
BAT Inds.	1,000	[illegible]	−8
BET	1,000	191	+3
BICC	278	[illegible]	
BOC	365	472	+3
BPB Inds.	1,700	[illegible]	−1
BTR	1,500	[illegible]	+2
Bank of Scotland	[illegible]	[illegible]	+1
Barclays	1,400	345	−4
Bass	106	[illegible]	+7
Beazer	2,800	[illegible]	
Berisford Int.	347	[illegible]	
Blue Circle	3,000	[illegible]	−2
Boots	474	316	+2
Brit. Aerospace	[illegible]	546	+7
British Airways	578	142	−1
British Gas	1,300	[illegible]	−1½
British Land	316	[illegible]	−1
BP	2,350	[illegible]	−1½
British Steel	3,300	122½	+2
British Telecom	1,800	[illegible]	+3
Bunzl	519	61	
Burmah Castrol	[illegible]	472	+4
Burton	[illegible]	70	+1½
Cable & Wire.	617	404	−3
Cadbury	329	312	
Calor Group	11	[illegible]	
Carlton Comms.	[illegible]	[illegible]	+4
Coats Viyella	[illegible]	119	+1
Comm. Union	482	[illegible]	−1
Cookson	1,800	76	+4
Courtaulds	[illegible]	314	+2
Dalgety	173	347	−1
Dixons	[illegible]	138	+2
ECC Group	[illegible]	325	+1
Enterprise Oil	[illegible]	[illegible]	−1
FKI	1,100	48½	+½
Ferranti	3,100	17	
Fisons	1,100	362	−6
Gen. Accident	201	445	
General Elec.	874	185	
IMI	207	194	+4
ICI	2,300	[illegible]	+8
Inchcape	437	252	−1
Kingfisher	476	[illegible]	
Ladbroke	[illegible]	274	−1
Land Securities	502	[illegible]	−4
Laporte	70	492	+6
Legal & General	[illegible]	354	−5
Lloyds Abbey	129	[illegible]	
Lloyds Bank	804	287	+1
LASMO	[illegible]	[illegible]	−4
Lonrho	1,000	[illegible]	−3
Lucas	1,500	159	+4
MB Group	499	[illegible]	−1
MEPC	225	[illegible]	−4
Manpower	[illegible]	48½	+½
Marks & Spencer	1,200	221	+1
Maxwell Comms.	[illegible]	161	+1
Midland Bank	1,300	187	−3
NatWest Bank	1,400	[illegible]	
Next	1,800	39	
North West Water	1,800	[illegible]	
Northern Foods	[illegible]	340	
Northumbrian Water	[illegible]	[illegible]	
Pearson	[illegible]	[illegible]	+1
Rothmans	82	[illegible]	+4
Ryl Bk Scotland	1,800	[illegible]	−2
Royal Insurance	[illegible]	373	−5
STC	1,300	275	+8
Saatchi	[illegible]	[illegible]	+1½
Sainsbury	740	304	−2
Scottish & New.	700	382	+2
Sears	1,400	[illegible]	+1½
Sedgwick	738	211	+3
Severn Trent Water	178	[illegible]	−1
Shell Transport	1,300	447	
Siebe	[illegible]	[illegible]	+5
Slough Ests	[illegible]	[illegible]	−2
Smith (W.H.) A	144	[illegible]	+6
Smith & Nephew	1,500	[illegible]	+1
SmKl Beecham	1,200	[illegible]	−3
SmKl Beecham Units	[illegible]	[illegible]	[illegible]
Smiths Inds.	[illegible]	315	+1
South West Water	412	[illegible]	
Southern Water	[illegible]	[illegible]	+3
Standard Chartd.	1,400	[illegible]	+4
Storehouse	[illegible]	122	
Sun Alliance	472	[illegible]	
Sun Life	87	1010	
TSB	[illegible]	149	−1
Utd. Newspapers	121	317	
Water Package Uts.	2	£2288	+18
Wellcome	[illegible]	[illegible]	−2
Welsh Water	[illegible]	[illegible]	[illegible]
Wessex Water	[illegible]	[illegible]	[illegible]
Whitbread "A"	[illegible]	[illegible]	[illegible]
Wiggins Teape	2,400	[illegible]	+1
Williams Hldgs.	[illegible]	287	−5
Willis Corroon	1,000	[illegible]	+1
Wimpey	[illegible]	[illegible]	−8
Yorkshire Water	347	[illegible]	

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Midland disposal deferred

MIDLAND led the banking sector lower after saying it could not sell Forward Trust, the third largest UK asset-based finance house, at "a satisfactory price". The bank blamed uncertainty arising from the Gulf crisis.

Forward had been put up for sale in August to strengthen Midland's capital base. The bank yesterday said that a number of parties had expressed an interest in buying the business.

Midland shares lost 7 at one point before ending down 3 on the day at 187p. Barclays was also hit hard because it is trying to sell Mercantile Credit, the UK consumer side of its finance house, the Mercantile group. Barclays lost 4 to 345p amid widespread talk that BZW was about to issue a cautious note on the stock.

Brent Walker nerves

Brent Walker oscillated again after the company said it was posting to shareholders details of its £103m of 13 per cent Convertible Capital Bonds due 2005. Analysts received the detailed 109-page document as the market closed. "This will require digestion," said one.

The company also announced the long-awaited sale of Goldcrest, its film production operation. The buyer is Harestock – a company formed by the management of Goldcrest, and the price is $33m. That news helped the shares rise 21 at one point before trickling back amid uncertainty of how to interpret the contents of the Convertible document. The shares ended at 55p, up 10 on the day.

GKN sellers

Cuts in profit forecasts by brokers and the sale of two large blocks of stock were the background to a fall in car components maker GKN which left it one of the worst performers on the day in the FT-SE 100 Index.

The shares lost 9 to 282p and the Seaq system recorded a turnover of 736,000. However, marketmakers said two large trades of 1.1m and 1.5m shares were made after the close of business on Friday and remained unrecorded.

Broker S.G. Warburg cut its 1990 profits forecast by £13m to £182m and its 1991 estimate by £37m to £173m, saying that it expected new car registrations in the UK to be down next year. Smith New Court reduced its 1990 forecast to £185m from £192m and for 1991 to £175m from £205m. One strategist said an analyst's visit to rival component maker BBA in the US had fuelled the cautious stance.

ICI rose 12 at one point on positive comment in the weekend UK press, but had slipped back to 823p by the close for a net rise of 8. Reed International declined 8 to 341p ahead of interim figures due tomorrow.

The construction group Wimpey finished 8 lower at 185p after reports of a possible involvement in land deals in Liverpool currently under police investigation.

Other leading building stocks were mostly firmer. Central heating and plumbing distributors Wolseley rose 7 to 285p, while Costain were also favoured and advanced 8 to 196p. Elsewhere, bid speculation saw Tilbury Group move 25 firmer to 530p.

Sutcliffe Speakman, which manufactures carbon and solvent recovery systems, requested temporary suspension of its shares before business opened yesterday, pending clarification of its financial position. Payment of the final dividend, due yesterday, has been deferred and discussions are taking place with potential purchasers of certain of the company's assets. The chairman warned in August that its carbon division was being badly hit by foreign competition.

Caird, the waste management group, slipped 4 further to 42p after Severn Trent Water lost its appeal to be allowed to make a lower offer. The water company lapsed its original conditional bid of 100p for each Caird share last week on the grounds of insufficient acceptances.

Laporte stood out from other chemical issues, gaining 6 to 492p after advice from US investment house Shearson Lehman Brothers that the group offered the best hope in the UK sector of earnings outperformance.

Confirmation of last week's rumoured downgrading found Yorkshire Chemicals in more resilient mood and the shares held at 291p. Smith New Court has reduced 1991 expectations to £10m from £12m and believes the share price still looks vulnerable in spite of recent weakness. Shearson, however, thinks the fall has been well overdone.

Recovery prospects continued to stimulate demand for Cookson, the industrial materials group, and the shares gained 4 more to 78p. Buyers also took the opportunity to obtain stock of conglomerate BET after Friday's sharp fall, causing the price to rebound to 193p.

Activity faded in ADT – only 1.5m shares were traded – but the market steadied and the quotation recovered 1¼ to 104½p. ADT said yesterday it had purchased 5m shares during Friday's heavy turnover of 17m.

Racal Electronics was affected by sentiment after it was announced that the equivalent of 10m shares had been sold in the US ADRs over the past month. The shares eased half a penny to 162p on a turnover of 5.5m – heavy for the day. Davy Corporation slipped 9 to 94p after reports of problems with its Exxon contract. Laird, the European market leader in car sealant systems, shed 7 to 170p as Warburg cut its 1990 forecast by £6m to £40m and its 1991 estimate by £10m to a flat £40m.

British Aerospace picked up 7 in thin trading to close at 546p on the back of activity in the London Traded Options Market.

Iceland Frozen Foods fell 10 to 284p amid the growing conviction that analysts close to the company had been expressing their caution on the stock to institutional investors. One researcher said that Iceland was suffering from competition in the frozen food sector from general food retailers such as Tesco and Sainsbury.

US selling helped to undermine Ratners and left the shares 10 down at 191p. Blacks Leisure, the sports and fashion retailer, turned in interim profits more than doubled to £1.8m. The shares rose 7 to 42p.

Interim profits at Moss Bros, the menswear supplier, were overshadowed by the chairman saying that "trading in the second half was more difficult than in the same period last year". He blamed the "economic outlook" and the shares eased 3 to 125p.

Rank Organisation weakened again ahead of a briefing to analysts, already postponed once, due this morning. The shares fell 14 to 579p.

The success of a horse in a $½m race at the weekend helped its owner Classic Thoroughbred, which came to the Irish Smaller Companies Market in October 1987. The shares jumped to 10½p before settling at 7½, a net rise of 3.

A couple of small sales of Wilding Office Equipment found the market unreceptive and the price dropped 15 to 35p. Last month the company said recent sales had been below budget, reflecting the difficult economic climate. Its annual results are expected in early-December.

Futura Holdings, the shoe manufacturer and distributor, showed nervousness awaiting today's interim results and lost 11 to 71p. Style was another to give ground at 290p, down 8.

USM-quoted supplier of management services to the public sector Capita Group jumped 13 to 182p after reporting that the venture on behalf of the DVLA (Driver and Vehicle Licensing Authority) for sale of personalised number plates has recorded the busiest month in its history, raising £6m for the Treasury, as part of its contract worth in excess of £1m.

Third-market Citybond Storage Services announced talks were taking place which may result in a possible offer, but the shares plummeted 90 to 105p.

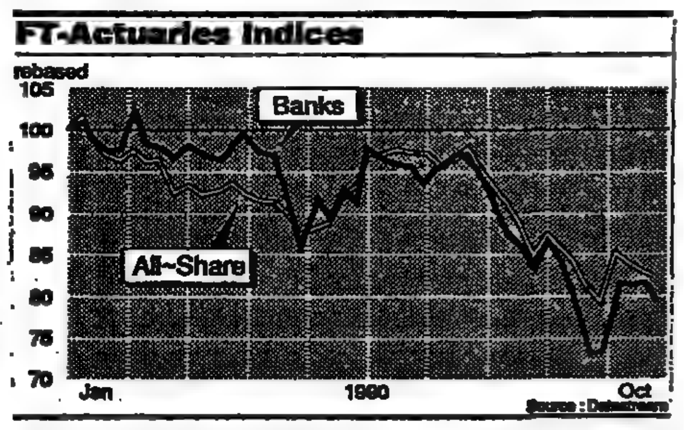
Property shares showed a weaker tendency in a generally lacklustre sector. But the softer tone may also have reflected concern about the introduction of the Uniform Business Rate, a form of local taxation. Securities house Kleinwort Benson pointed out that unless rents were increased the new tax would reduce the net amount received by property companies. The implication is that future rental income projections may have been overstated.

Sinclair Goldsmith Holdings fell 13 to 42p after its chairman revealed that figures for the six months to the end of November will show "a sizeable loss". The company added that it was taking appropriate steps to reduce its operating costs, but it stressed the importance of keeping its key people together to take advantage of any upturn in business activity.

Thames Water found support ahead of today's interim figures and the shares touched a high of 240p before closing at 237½p, up just half a penny from Friday's close. UBS Phillips & Drew are expecting profits of £110m and a 5.7p net dividend, but they warned that the company warranted no better than a hold recommendation. Elsewhere, the Water Package finished £13 better at £2,288.

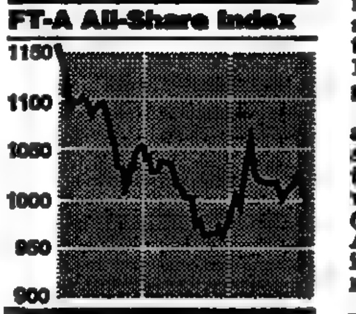
■ Other Market statistics, including the FT-Actuaries share index, Page 24

FT-Actuaries Indices



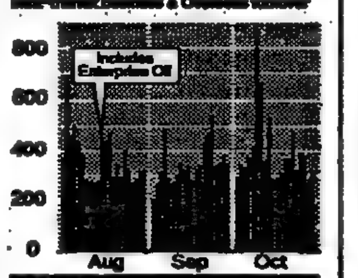
The bank sector's underperformance has reflected a switch in debt fears from the third world to the domestic corporate area. Debt ratings have been reduced and investors have noted US bank trends, where rising yields have been followed by reductions in dividend payments.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (9).
BRITISH FUNDS (2) Fd. 5¾pc 1987-91, Treas. 3pc 1992, BREWERS (1) Bulmer (H.P.). STORES (1) OS Hldgs., INDUSTRIALS (2) Betterware Cons. Prod., Capita, TRUSTS (3) Baltica, Gartmore Value.
NEW LOWS (77).
AMERICANS (8) Chemical Banking, Citicorp, Dun & Bradstreet, Eaton, Manuf. Hanover, Pennzoil, CANADIANS (2) Bk. Nova Scotia, Corona, BANKS (4) ANZ, Sec. Pacific, Westpac, Wintrust, BUILDINGS (2) Howard, Jennings, CHEMICALS (2) Akzo, Perstorp B, STORES (3) DAKS Simpson A, Ratners, Do. Cv. Prf., ELECTRICALS (1) Newmark (Louis), ENGINEERING (3) Howden, SKF, Tellos, FOODS (1) Usborne, INDUSTRIALS (18) Cannon St. Invs., Campbell & Armstrong, Dyson (J. & J.), Electrolux, Elliam, Expamet Intl., Forwell, Johnston Grp., Kitty Little, Morgan Crucible, Mosaic Invs., RKF, RPS, Scot. Heritable, Williams, Williams (J.), INSURANCE (2) Travelers, Uaife, LEISURE (1) Zetters, MOTORS (1) DAF, PAPERS (4) Aspen Comms., BBB Design, Gibbon Lyons, SCA B Free, PROPERTY (2) Cardiff Prop., Sinclair Goldsmith, SHOES (1) Futura, SOUTH AFRICANS (1) OK Bazaars, TEXTILES (3) Foster (J.), Gaskell, Yorklyde, TRUSTS (7) AFP, Comeda Energy, Fleming Fledgeling, GT Venture, Gen. Oriental, India Fund, Mezzanine, OILS (5) Chevron, Crusader, Exxon, Triton Euro., XCL Sunrise, OVERSEAS TRADERS (1) Boustead, MINES (6) Beatrix, Butte, Deelkraal, Delta Gold, Doornfontein, Julia, Lydenburg, Renison, THIRD MARKET (2) Citybond Storage Serv., Kelis Minis.

APPOINTMENTS

NatWest senior US post

■ Mr Alan Jones has been appointed a senior executive vice president of NATIONAL WESTMINSTER BANK's US subsidiary National Westminster Bancorp Inc. He also becomes vice-chairman, National Westminster Bank USA, and vice chairman, National Westminster Bank NJ. Since 1989 he has been a general manager in NatWest's London-based corporate and institutional banking sector, and was previously director of commercial banking services in the UK.

■ HILL SAMUEL INVESTMENT SERVICES has appointed Mr John Walton as commercial director. He was managing director of Hill Samuel Personal Finance. Mr Martin Dunnett has been appointed sales administration and planning director. He was manager, planning, Hill Samuel Investment Services Group. Mr Alan Falkingham becomes director, life products. He was life marketing manager, Prolific. Hill Samuel is part of the TSB Group.

■ Mr Paul Taylor has joined the CHANCELLOR INSURANCE COMPANY as general manager with special responsibility for planning and development. He was director and general manager of Fuji International Insurance Co.

■ THE GNI GROUP has appointed Mr Alan Noble and Mr Edgar Ertl as directors of a new subsidiary, GNI (Deutschland), Frankfurt. Mr Rene Kiefer has been appointed a director of Trifutures, GNI's joint venture MATIF broker with Caisse dés Depôts et Consignations and Banque d'Escompte.

Mr Ian Hay Davison *(pictured)* has been appointed a non-executive director of CADBURY SCHWEPPES. He is chairman of Laing and Cruickshank and other Credit Lyonnais capital markets companies in the UK. He is also non-executive chairman of Storehouse, and a non-executive director of the Chloride Group.

■ SHANKS & MCEWAN GROUP has appointed Mr John Newman as a director, responsible for all the company's waste management activities in the UK. He was managing director of the group's waste division. Professor Neil Hood has been appointed a non-executive director. He is professor of business policy, Strathclyde University.

UNITED OVERSEAS GROUP, Peterborough, has appointed Mr Maitland McNeil *(pictured)* as group managing director. He was with Clydesdale Bank, where he held senior executive posts in Dundee and Glasgow.

■ LUFTHANSA has appointed Mr Guenter Timmermann as regional director UK and Ireland from November 1. He succeeds Mr Anton Wellenreiter who becomes regional director for Australia and New Zealand. Mr Timmermann was regional director, China and South-East Asia, based in Hong Kong.

FITZWILTON, Dublin, has appointed Mr Gerald Davison *(pictured)* as chairman of its UK contract hire subsidiary, Norfolk Finance. He is a former director of operations for Honda UK.

■ Mr Alan Deal, deputy chairman of GOWRINGS, has been made chief executive. The former chief executive, Mr John Fowles, will continue as chairman of the group.

■ Mr Chris Hiett has been appointed managing director of HW STRUCTURES, Leamington Spa, part of the Hawtal Whiting Group. Formerly chief engineer, he takes over from Dr David Parsons who has left the company.

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High | Low | Stock | Price £ | + or − | Yield Int. | Red.

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9	ABN Amro FI5	£9⅞	+⅛	Q28%	2.1	9.0	5.2
303	158	ANZ $A1	158	–1	44c	1.4	11.3	6.3
233	172	Abbey National 10p	212½	–1	5.7	4.3	3.6	8.6
*274	128	Allied Irish Ord	151	.....	Q40%	3.3	5.9	6.8
85	47	Anglo Irish	53	.....	†Q18.7%	2.7	7.9	7.6
93	61	Ansbacher (H.) 1p	65	.....	2.5	1.3	5.1	18.7
£71½	£32¾	Bancaire Cie Fr100	£43⅝	+⅛	Q12¼%	–	3.0	–
£22¾	£13⅞	Banco Bilbao Viz	£15¼	–½	Q49.1%	2.7	5.3	10.3
286	136	Bank Ireland Ir£1	151	.....	Q14.7%	2.9	8.7	5.3
£19½	£18	Bank Leumi	£19½	.....		–	–	–
351	320	Bank Leumi (U.K.)	350	.....	†15.0	–	5.7	–
129½	100	Bank Scotland	105	+1	†4.55	3.4	5.8	6.7
100¼	83¼	Do. 9¼pc Irrd Pf	94	.....	9¼%	–	13.1	–
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	345	–4	†19.57	3.5	7.6	4.8
22	11	Benchmark 20p	11	.....	0.75	–	9.1	–
335	238	Brown Shipley £1	240	.....	12.0	2.2	6.7	7.8
*435	285	Cater Allen £1	335	.....	‡24.5	–	9.8	–
179	37	Chancery	37	.....	9.0	2.7	–	1.5
£23¼	£15⅛	Commerzbk DM10	£15½	.....	Q18%	–	4.0	–
£13¼	620	Dai Ichi KBk Y50	711	–13	Q17%	6.2	0.5	33.6
*£313⅝	£194⅛	Deutsche Bk DM50	£207⅞	–1⅝	Q28%	–	2.3	–
£20⅞	£14⅛	Espirito Santo	£15¼	–⅛	Q75c	5.1	2.5	7.8
253	166	First Nat. Fin. 10p	169	+1	13.0	2.1	10.3	5.8
121	82	FNFC 6.3pc Cv. Pf	85	+2	6.3%	–	9.9	–
£13¼	633	Fuji Bank Y50	879	.....	Q17%	♦	0.4	♦
325	262	Gerrard & National	281xd	.....	19.0	–	9.0	–
154	90	Guinness Mahon 10p	90	.....	2.1	–	3.1	–
328	194	Hambros 20p	213	.....	11.5	–	7.2	–
128	88	Do. 7.5pc Cv Pf	94	+1	7½%	–	10.6	–
53½	31½	HK & Shang. HK$2.50	31½	–½	†hQ38c	–	8.1	–
478	378	Joseph (Leo) £1	378	.....	15.85	–	5.6	–
150	105	King & Shaxson 20p	118	.....	10.25	–	11.6	–
422	262	Kleinwort Benson Grp	278	–5	16.0	2.5	7.7	6.6
642	316	Kyowa Bank Y50	402	+16	Q14%	♦	0.7	♦
316	182	Lloyds £1	257	+1	†13.3	2.6	6.9	6.0

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

هكذا من الأصل

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES —Contd

Components

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
458	420	Abbey Panels	453	.....	3.5	10.8	1.0	12.0
225	140	Airflow Streamlines y	148	.....	6.0	3.9	5.8	5.9
190	145	Bonrom 5p	160	.....	t5.75	3.1	4.8	7.3
266	160	Dowty 50p	166	.....	9.0	2.1	7.5	7.7
299	119	FR Group	122	.....	6.37	3.1	7.1	6.1
135	55	Kwik-Fit Hldgs. 10p	72	.....	t2.4	2.3	4.4	13.3
174	102	Lucas Inds.	119	+4	7.0	q2.0	8.2	5.4
44	14	Do. Warrants	16	.....	—	—	—	—
80	60	[illegible]-States 10p y	62	.....	s20.75	—	1.6	51.9

Garages and Distributors

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
28	16	Alexanders 10p y	16	.....	1.0	3.0	8.3	4.8
135	78	Appleyard 10p	93	.....	17.8	2.4	11.2	4.3
110	55	[illegible] Motor 20p y	60	.....	17.5	1.9	16.7	4.3
568	420	Caffyns 50p	428	.....	11.5	0.3	3.7	—
121	96	Central Motor Auctn. y	106	.....	t3.25	3.2	4.1	10.1
61	26	Cock (D.C.) Hldgs. y	30	.....	1.0	5.3	4.4	5.7
89	35	Cowie (T.) 5p	48	.....	4.2	1.5	11.7	6.7
95	56	Dagenham Motors 10p y	75	.....	t5.25	2.8	9.3	5.2
96	75	Davenport Vernon 10p y	78	.....	3.5	3.6	6.0	5.4
29	16	Equity & Gen 5p	20	.....	t1.5	1.7	10.0	(7.1)
247	163	Evans Halshaw	183	+1	11.25	2.4	8.2	6.7
113	85	Gates (F.G.)	88	−2	2.75	1.9	4.2	16.5
161	25	Gowrings 10p y	38	−2	5.63	1.0	19.8	6.5
81	44	Jacks Wm. y	44	.....	t2.0	1.0	‡	21.6
116	53	Jessups y	58	.....	7.0	2.5	16.1	3.3
297	172	Lex Service	183	−2	15.3	1.9	11.1	6.4
147	50	Lookers	79	−1	6.2	3.9	10.5	3.2
43	30	Malaya Group 10p	30	−1	2.0	♦	8.9	♦
133	88	Pendragon	95	−1	21.8	—	2.5	6.1
178	108	Perry Group	112	.....	9.0	1.4	10.7	8.3
133	61	Quicks Group 10p y	66	.....	6.0	3.0	12.1	3.4
238	150	Seddon Harry Ebor y	195	.....	—	—	—	(13.6)
26½	13½	Trimoco 10p	15	.....	1.4	2.4	12.4	4.3
£222	£128	Do.11¼pc Ln '96	£142	.....	Q11.5	—	8.1	—
86	68	Wardy (Reg) 10p y	76	.....	3.6	♦	6.3	♦

NEWSPAPERS, PUBLISHERS

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
93	36	Adscene y	38	.....	4.0	1.2	14.0	8.2
273	183	BPP Hldgs 10p y	200	.....	t5.25	2.6	3.4	15.3
190	125	Barbour Index y	155	−3	6.0	2.2	5.2	11.7
520	385	Black (A. & C.) y	510	.....	13.0	2.3	3.4	16.4
1020	670	Blenheim Exhibs 5p y	675	.....	t13.0	4.3	2.6	11.6
375	225	Bristol Eve. Post y	225	.....	11.5	1.8	6.8	10.9
£61	£39	Daily Mail 'A' 50p y	£39	.....	t100.0	4.1	3.4	7.6
257	187	EMAP	217	+2	6.5	2.7	4.1	11.9
383	329	Euromoney Pubs. 1p y	335	.....	t16.0	1.6	6.4	13.0

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST—Contd

INVESTMENT TRUST—Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

For York Trust see Babcock Prebon

WATER

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
64½	3½	Moray Firth 1p y	3½	−½	—	—	—	—
45	25	Navan Resources y	25	.....	—	—	—	—
57	25	Ovoca Gold IR 2p y	26	+1	—	—	—	—
72	22	Oxford Virology 5p y	22	.....	—	—	—	—
83	61	Poddington 5p	77	.....	—	—	—	—
118	65	Ramsden's (Harry) y	70	.....	14.5	1.1	8.6	13.8
60	27	Rentaminster 5p y	27	.....	ta1.85	2.8	‡	5.3
38	7	Sempernova y	8	.....	—	—	—	1.8
36	17	Sleepy Kids 5p y	17	.....	—	—	—	—
3½	1¼	Systems Connection y	2	.....	—	—	—	—
94	48	Tomorrows Leisure 20p y	48	.....	2.0	4.4	2.8	8.7
55	27	UPL Group 10p y	32	.....	—	—	—	—
89	16	Video Magic Lsk. 1p y	16	−4	—	—	—	—
6¼	2½	Vista Ents 5p y	2½	−¼	—	—	—	—
5½	1¼	Wilton Group 1p y	1½	.....	—	—	—	5.1

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm −) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ●● Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Craig & Rose £1 y	780	.....
Finlay Pkg. 5p y	40	.....
Holt (Jos) 25p y	1305	.....

IRISH

Stock	Price	+ or −
Cap. 8½% Ln. 1991	£98¾	.....
9pc Cap Ln. 1996	£93½	.....
Fin. 13% 97/02	£110¼	.....
Arnotts	175	.....
Carrol (P.J.) α	152	.....
Heiton Hldgs. y	48	.....
IRG	153½	.....
United Drug	138	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	45
BOC Grp	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	13
Brit. Telecom	22
Cadburys	26
Charter Cons.	37
Comm Union	37
Courtaulds	25
Eurotunnel	40
FKI	5¼
FNFC	20
Gen Accident	37
GEC	14
Glaxo	57
Grand Met	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd	39
ICI	70
Ladbroke	22
Legal & Gen	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds	11
Marks & Spencer	18
Midland Bk	20
Nat West Bk	18
P & O Dfd	42
Polly Peck	40
Racal Elect	14
RHM	23
Rank Org Ord	49
Reed Intnl	30
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	19
Wellcome	38

Property

Stock	p
Brit Land	24
Control Secs.	3½
Land Securities	42
MEPC	38
Mountleigh	11

Oils

Stock	p
Aviva Petlm	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm	28
Gaelic Res	2
Premier	8½
Shell	40
Tuskar Res	6
Ultramar	31

Mines

Stock	p
Lonrho	21
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro ✠

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

✠ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071—379—0444.

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	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Target Trust Mngrs Ltd (1600)F						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000 Dealing: 0296 392156						
American Eagle	5	55.76	55.76	59.52	-0.56	1.29
Australia	5	5.384	5.384	5.762	-0.05	4.63
Equity	5	138.0	138.0	148.4	-0.2	5.18
Euro Spec Sits	5	97.50	97.50	104.8	-0.6	0.66
Financial	5	24.35	24.35xd	26.19	+0.12	3.37
Global Opps Inc	5	56.88	56.88xd	61.13	-0.05	0.00
Global Opps Acc	5	57.31	57.31	61.59	-0.05	0.00
Gold & Gen Inc	5	55.44	55.44xd	58.10	-0.43	2.05
Gold & Gen Acc	5	66.06	66.06	71.01	-0.81	2.05
Income	5	85.44	85.44xd	91.96	-0.13	6.74
Japan & General	5	117.3	117.3	126.1	+0.2	0.00
Preference Share	5	17.36	17.36xd	18.69	-0.28	14.19
UK Capital	5	75.74	75.74	81.36	-0.25	4.29
World Income	5	52.00	52.00xd	55.86	-0.20	6.53
Worldwide Capital	5	144.5	144.5	155.4	-0.3	3.52
Templeton Unit Trust Managers Ltd (1200)F						
Atholl Crescent, Edinburgh EH3 8HA 031 228 3932						
Global Growth Acc	6	89.70	90.48	96.77	-0.89	3.76
Global Growth Inc	6	86.19	86.93	92.98	-0.85	3.76
Global Balanced Acc	6	90.40	90.86	97.38	-0.87	5.00
Global Balanced Inc	6	84.22	84.65	90.53	-0.82	5.00
Value Tst Acc	6½	66.83	67.78	72.49	-0.49	4.73
Value Tst Inc	6½	65.16	66.09	70.69	-0.48	4.73
Intl Fx & Gl Uts Inc	3	88.52	89.82	94.30	.....	3.84
Intl Fx & Gl Uts Acc	3	85.42	86.68	91.00	.....	3.84
Theraleiff Unit Trust Managers Ltd (1200)F						
28 St John's Sq, London EC1M 4AE 071-251 6767						
Capital	5	46.37	46.63	49.60	.....	–
Overseas	5	39.95	40.11	42.66	.....	–
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 0DH 071-493 7262						
Dealing 071-493 8545						
American Opps	5	38.90	39.90	42.13	-0.30	0.27
(Accum Units)	5	40.65	40.65	43.35	-0.31	0.27
Cash	0	50.79	50.79	50.79	+0.04	13.66
Accum Units	0	50.79	50.79	50.79	+0.04	13.66
Europa Opps ‡	5	58.15	58.15	61.90	-0.50	0.00
(Accum Units) ‡	5	58.47	58.47	62.24	-0.50	0.00

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

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National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

Providence Capitol Life Assc. Co Ltd – Contd.

Royal Heritage Life Assurance Ltd – Contd.

Skandia Life Assurance Co Ltd – Contd.

Sun Alliance Group – Contd.

Windsor Life Assur Co Ltd
Windsor House, Telford, Shropshire 0952 292929

Sun Alliance International Life
PO Box 77, New St, St Peter Port, Guernsey 0481 714108

J. D. Ward Financial Services Ltd

Target International Group

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Prosperity Life Assurance Ltd

Providence Capitol Life Ass. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Ass. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group Ltd

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AEtna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equity & Law Intl Life Assur Co Ltd

Enrolife Assurance Group

Fleece International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

KEL Britannia International Ltd

KBI Life Assurance Int Ltd

Premium Life International Ltd

Providence Capitol International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plans.) Ltd

The Analysis Group PLC

Bryce Walls & Partners Ltd

Cameron Lee & Company Ltd

James Campbell & Son Financial Services

Chase de Vere PLC

Clifton Financial Mangt Ltd

Desmond Mears Plc

Edinburgh Money Management Ltd

Fairmount Gms Hair Ltd

Fortress Fund Managers Ltd

Hambrook Financial Services (Plp) Ltd

I.P.S. Lowest plc

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

Macaulay & Davis F.S. Ltd

Marsh Financial Management PLC

Northern Rings & Partners

PFR Fund Management Ltd

Pendleton May Financial Services Ltd

Petley & Co PLC

Rowbourne Financial Management

Rutland Ins Mkg & Inv Grp ("RIMIG")

Stone (Albert E) & Co.

Straits Fund Managers Limited

South Yorks Investment Management

Tattersall Investment Mngt. Ltd

Towry Law & Co

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited

CANADA (SIB RECOGNISED)

Tracy & Sims Pendrain Inc

GUERNSEY (SIB RECOGNISED)

Adams & Neville Fd Mangt (Guernsey) Ltd

BBV-Hambros Asset Mngmt (Guernsey) Ltd

Gartmore Invest Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Leopold Joseph Fund Mangt (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Schroder Mngmt Services (Guernsey) Ltd

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey)

Arab Bank Fund Managers (Guernsey) Ltd

همكذا من الأصل

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	Bid Price	Offer Price	+ or -	Yield Gros
Baring Int Fund Managers Guernsey Ltd				
Mngd Portfolio (DM)	[illegible]	10.31	—	—
Mngd Portfolio (Stlg)	[illegible]	3.91	—	—
Baring Currency Fund Ltd				
US Dollar		$14.92	—	—
Sterling		£17.67	—	—
Deutschemark		DM37.94	+0.01	—
Japanese Yen		Y3,791	—	—
Managed	$42.09	44.19	-0.12	—
Dantrust Management (Guernsey) Ltd				
Dantrust Ltd	[illegible]	115.4	—	—
Fipert-Conseil Fund Mngrs (Guernsey) Ltd				
Hautville G & B Fd	SFr7.81	7.87	—	2.98
John Govett Mngmnt International Ltd				
Govett High Inc Gilt	[illegible]	0.3700	+0.000	13.24
Govett Far East Inc	£0.925	0.989	+0.008	—
Energy & Resources	£0.681	0.728	-0.003	—
Hambros Fund Managers (CI) Ltd				
Japanese OTC	[illegible]	[illegible]	—	—
Havelet Throgmorton Mngmnt Ltd				
Intl Inc-Stlg High Inc	[illegible]	[illegible]	—	10.09
Intl Inc-Intl High Inc	[illegible]	[illegible]	—	9.54
Henderson Admin. (Guernsey)				
[illegible]	[illegible]			—
Balanced Grwth $ Prtflo	$1.845	1.988	-0.009	—
Balanced Grwth £ Prtflo	£2.048	2.127	-0.010	—
Select Mkts $ Prtflo	$1.850	2.000	-0.004	—
Inc & Grwth $ Prtflo	$1.681	1.787	-0.008	—
High Income £ Prtflo	£0.594	0.629	+0.001	—

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and sterling nervous

THE CURRENCY market was quiet but nervous yesterday, weighing up the implications of agreement on a US budget compromise package and Britain's opposition to European monetary union.

The Federal Reserve appeared to answer President George Bush's call for lower interest rates when he signed a bill to cut the US budget deficit. The Fed added reserves to the New York banking system yesterday, via $1bn of customer repurchase agreements. Federal funds were trading at 7¾ per cent at the time, below the assumed target rate of 8 per cent, with dealers suggesting that no addition of cash was required unless the Fed had decided to ease its monetary stance.

There was little immediate reaction to the move, which was widely expected, and the dollar finished slightly higher at the London close. It rose to DM1.5165 from DM1.5160; to Y128.40 from Y128.00; to SFr1.2865 from SFr1.2805; and to FFr5.0775 from SFr5.0725. The dollar's index was unchanged at 60.6.

Sterling lost ground within the exchange rate mechanism of the European Monetary System and also against the dollar. The market took a negative view of the UK's attitude to a single European currency. Dealers said that overseas investors were worried by the fear that Britain may be left out in the cold as other members of the European Community move towards monetary union.

The pound finished well above the day's lows however. It touched a weakest point of DM2.9500, but closed at DM2.9625 compared with DM2.9650 on Friday. Sterling also fell to FFr9.9175 from FFr9.9225, but rose to SFr2.5125 from SFr2.5050 and to Y250.75 from Y250.25. In terms of the dollar the pound fell ¼ cent to $1.9535. Its exchange rate index shed 0.1 to 94.7.

Within the ERM sterling was 0.41 per cent above the weakest placed Italian lira, compared with 0.62 per cent on Friday. The Spanish peseta continued to be the strongest member of the system, 3.88 per cent above the lira against 3.82 per cent previously.

The French franc held on to its recent gains against the D-Mark. In quiet Paris trading the German currency was fixed at FFr3.3472 compared with FFr3.3471 on Friday. In Milan the D-Mark rose to L749.10 from L748.53 at the fixing, without any intervention by the Bank of Italy.

The Norwegian krone showed little reaction to news that the coalition government in Oslo had collapsed. The dollar fell to NKr5.8900 from NKr5.8925.

Victory for the National party in New Zealand's general election boosted the New Zealand dollar. Short positions had been taken out ahead of the election and these were unwound yesterday. The New Zealand currency rose to 61.50 US cents at the London close from 60.95 cents on Friday.

£ IN NEW YORK

Oct.29	Latest	Previous Close
£ Spot	1.9480-1.9490	1.9580-1.9590
1 month	0.97-0.95pm	0.98-0.96pm
3 months	2.75-2.72pm	2.71-2.68pm
12 months	8.55-8.45pm	8.43-8.33pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.29	Previous
8.30 am	94.5	94.7
9.00 am	94.6	94.8
10.00 am	94.7	94.9
11.00 am	94.7	94.9
Noon	94.7	94.9
1.00 pm	94.7	94.9
2.00 pm	94.7	94.9
3.00 pm	94.7	94.9
4.00 pm	94.7	94.8

CURRENCY MOVEMENTS

Oct.29	Bank of England Index	Morgan** Guaranty Changes %
Sterling	94.7	-17.5
U.S Dollar	60.6	-18.5
Canadian Dollar	101.1	-0.6
Austrian Schilling	109.8	+11.9
Belgian Franc	111.8	-2.0
Danish Krone	111.2	+5.2
Deutsche Mark	119.1	+25.0
Swiss Franc	114.7	+23.5
Guilder	114.7	+16.2
French Franc	105.7	-11.1
Lira	99.5	-19.6
Yen	136.7	+72.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct.26.

CURRENCY RATES

Oct 29	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.734030	0.696803
U.S Dollar	7	1.43590	1.36399
Canadian $	12.82	1.67327	1.58728
Austrian Sch	6½	N/A	14.5061
Belgian Franc	10½	44.7394	42.4099
Danish Krone	10½	8.30818	7.86410
Deutsche Mark	6.00	2.17727	2.06099
Neth.Guilder	7.00	2.45038	2.32288
French Franc	10¼	7.27791	6.89839
Italian Lira	12½	1629.41	1544.31
Japanese Yen	6	184.440	174.796
Norway Krone	8	8.47330	8.01073
Spanish Peseta	-	136.318	129.143
Swedish Krona	11	8.07412	7.64791
Swiss Franc	6.00	1.83868	1.74318
Greek Drach	20½	N/A	208.227
Irish Punt	-	N/A	0.769313

† European Commission Calculations.
* All SDR rates are for Oct.26

OTHER CURRENCIES

Oct. 29	£	$
Argentina	10914.5 - 11014.9	5590.00 - 5640.00
Australia	2.4950 - 2.4970	1.2750 - 1.2765
Brazil	197.200 - 198.620	101.00 - 101.70
Finland	7.0240 - 7.0375	3.5970 - 3.6000
Greece	295.70 - 300.45	151.30 - 153.75
Hong Kong	15.2060 - 15.2200	7.7870 - 7.7890
Iran	125.70*	63.90*
Korea(Sth)	1388.40 - 1410.75	712.00 - 717.60
Kuwait	N/A	N/A
Luxembourg	60.80 - 60.90	31.10 - 31.20
Malaysia	5.2700 - 5.2825	2.7005 - 2.7025
Mexico	5701.30 - 5704.70	2920.00 - 2930.00
N.Zealand	3.1700 - 3.1750	1.6255 - 1.6280
Saudi Ar	7.3145 - 7.3480	3.7490 - 3.7510
Singapore	3.3280 - 3.3355	1.7045 - 1.7065
S.Af (Cm)	4.9430 - 4.9555	2.5390 - 2.5420
S.Af (Fn)	7.3150 - 7.4545	3.7455 - 3.8170
Taiwan	53.20 - 53.30	27.25 - 27.30
U.A.E.	7.1620 - 7.1975	3.6710 - 3.6740

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct. 29	% change from central rate	% spread vs weakest narrow band currency	Divergence indicator
Spanish Peseta	133.631	129.143	-3.36	3.88	59
Sterling	0.696904	0.696803	-0.01	0.41	0
Belgian Franc	42.4032	42.4099	0.02	0.38	3
French Franc	6.89509	6.89839	0.05	0.35	2
German D-Mark	2.05586	2.06099	0.25	0.14	-11
Irish Punt	0.767417	0.769313	0.25	0.15	-8
Danish Krone	7.84195	7.86410	0.28	0.11	-9
Dutch Guilder	2.31643	2.32288	0.28	0.12	-10
Italian Lira	1538.24	1544.31	0.39	0.00	-15

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9500 - 1.9590	1.9530 - 1.9540	0.96-0.94cpm	5.84	2.74-2.71pm	5.58
Canada	2.2700 - 2.2815	2.2725 - 2.2735	0.34-0.21cpm	1.45	0.78-0.63pm	1.24
Netherlands	3.32¼ - 3.34¾	3.33¾ - 3.34¾	1⅝-1⅜cpm	5.39	4¾-4¼pm	5.09
Belgium	60.70 - 61.05	60.80 - 60.90	26-23cpm	4.83	76-69pm	4.77
Denmark	11.26 - 11.30½	11.28¾ - 11.29¾	3¾-3½orepm	3.79	10¾-9½pm	3.49
Ireland	1.0990 - 1.1100	1.1040 - 1.1050	0.44-0.39cpm	4.51	1.10-0.97pm	3.75
Germany	2.95¾ - 2.96½	2.96 - 2.96½	1⅜-1¼pfpm	5.32	3⅝-3⅜pm	4.81
Portugal	258.85 - 260.50	259.30 - 260.30	20-10cpm	0.69	50-91cdis	-1.09
Spain	184.65 - 185.55	184.90 - 185.20	1-7cdis	-0.26	19-27dis	-0.50
Italy	2207¼ - 2221¼	2220¼ - 2221¼	7-5lirepm	3.24	16-14pm	2.70
Norway	11.46 - 11.51	11.50 - 11.51	2¾-2¼orepm	2.61	7¾-6¾pm	2.46
France	9.88 - 9.92¼	9.91¼ - 9.92¼	3¾-3¼cpm	3.86	9¾-8¾pm	3.60
Sweden	10.94½ - 10.98¾	10.97¾ - 10.98¾	2⅛-2⅞oredis	-3.00	4¾-5¼dis	-1.82
Japan	249¾ - 251¼	250¼ - 251¼	1¼-1⅛ypm	5.68	3½-3¼pm	5.20
Austria	20.81 - 20.88	20.78 - 20.82	9¾-8½gropm	5.12	24¾-22¾pm	4.57
Switzerland	2.49¼ - 2.51¼	2.50¾ - 2.51¼	1¼-1⅛cpm	5.67	3½-3¼pm	5.37
ECU	1.4265 - 1.4380	1.4270 - 1.4280	0.51-0.48cpm	4.16	1.38-1.33pm	3.80

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.96-4.91cpm. 12 Month 8.45-8.35cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9500 - 1.9590	1.9530 - 1.9540	0.96-0.94cpm	5.84	2.74-2.71pm	5.58
Ireland†	1.7660 - 1.7740	1.7670 - 1.7680	0.27-0.22cpm	1.66	0.94-0.84pm	2.01
Canada	1.1630 - 1.1645	1.1635 - 1.1645	0.40-0.45cdis	-4.38	1.25-1.31dis	-4.40
Netherlands	1.6970 - 1.7105	1.7095 - 1.7105	0.03-0.06cdis	-0.32	0.21-0.23dis	-0.51
Belgium	31.10 - 31.30	31.10 - 31.20	1-3cdis	-0.77	4-8dis	-0.77
Denmark	5.75¼ - 5.78¼	5.77½ - 5.78	0.85-1.15oredis	-2.08	2.75-3.35dis	-2.11
Germany	1.5065 - 1.5170	1.5160 - 1.5170	0.04-0.06pfdis	-0.40	0.23-0.25dis	-0.63
Portugal	132.70 - 132.95	132.70 - 132.80	55-70cdis	-5.65	220-245dis	-7.01
Spain	94.45 - 95.10	95.00 - 95.10	46-51cdis	-6.12	144-154dis	-6.27
Italy	1129¾ - 1137	1136½ - 1137	2.00-2.50liredis	-2.38	7.50-8.50dis	-2.82
Norway	5.86 - 5.89¾	5.88¾ - 5.89¾	1.35-1.70oredis	-3.11	4.40-4.90dis	-3.16
France	5.04¾ - 5.08	5.07½ - 5.08	0.80-0.84cdis	-1.94	2.45-2.55dis	-1.97
Sweden	5.59¾ - 5.62¾	5.62 - 5.62½	3.90-4.30oredis	-8.75	10.30-11.00dis	-7.58
Japan	127.30 - 128.45	128.35 - 128.45	par -0.02ydis	-0.09	0.08-0.10dis	-0.28
Austria	10.60¾ - 10.66½	10.66 - 10.66½	0.55-0.90grodis	-0.82	2.30-3.30dis	-1.05
Switzerland	1.2745 - 1.2870	1.2860 - 1.2870	0.02dis-0.02cpm	-	0.01dis-0.06pm	0.08
ECU	1.3660 - 1.3735	1.3675 - 1.3685	0.21-0.19cpm	1.75	0.65-0.62pm	1.86

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 29	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14 - 13¾	14 - 13¾	14 - 13⅞	13⅞ - 13¾	13¾ - 13⅝	13¼ - 12⅞
US Dollar	7¾ - 7¼	7⅞ - 7¾	7⅞ - 7¾	8 - 7¾	8 - 7¾	8¼ - 7⅞
Can. Dollar	12¼ - 12	12¼ - 12	12⅛ - 11⅞	12⅛ - 11⅞	12⅛ - 11⅞	11⅞ - 11⅝
D. Guilder	7¾ - 7⅝	7¾ - 7⅝	8⅛ - 8	8¼ - 8⅛	8⅜ - 8¼	8½ - 8⅜
Sw. Franc	8 - 7¾	8 - 7¾	8⅛ - 7⅞	8⅛ - 8	8⅜ - 8¼	8½ - 8⅜
Deutschmark	8⅛ - 8	8⅛ - 8	8⅜ - 8¼	8⅝ - 8½	8⅞ - 8¾	9 - 8⅞
Fr. Franc	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	10 - 9⅞	10¼ - 10	10¼ - 10⅛
Italian Lira	13 - 11	10¼ - 9¾	10⅝ - 10⅛	11 - 10¾	11¼ - 10⅞	11⅞ - 11⅝
Belgian Franc	9⅛ - 9	9 - 8⅞	9 - 8⅞	9 - 8⅞	9¼ - 9⅛	9⅜ - 9¼
Yen	7¾ - 7⅝	8⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 8	8¼ - 8⅛	8⅜ - 8¼
D.Krone	10⅛ - 9⅞	10⅛ - 9⅞	10⅛ - 9⅞	10⅜ - 10⅛	10½ - 10¼	10¾ - 10½
Asian $Sing	8⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 8	8⅛ - 8	8⅛ - 8

Long term Eurodollars: two years 8⅜-8¼ per cent; three years 8⅝-8½ per cent; four years 8¾-8⅝ per cent; five years 9-8⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct 29	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	3.987	7.791	[illegible]	1000.	39.55	10.02	13.38	8852	9.063	242.6
F Fr.	1.008	1.970	2.987	252.9	10.	2.534	3.368	2238	2.292	61.35
S Fr.	0.398	0.778	1.179	99.80	3.947	1	1.329	883.4	0.904	24.21
H Fl.	0.299	0.585	0.887	75.09	2.969	0.752	1	664.7	0.681	18.22
Lira	0.450	0.880	1.335	113.0	4.468	1.132	1.505	1000.	1.024	27.41
C $	0.440	0.860	1.304	110.3	4.363	1.106	1.469	976.7	1	26.77
B Fr.	1.643	3.211	4.869	412.2	16.30	4.130	5.489	3648	3.735	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS: [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS: [illegible]

LIFFE BUND FUTURES OPTIONS: [illegible]

LIFFE EUROMARK OPTIONS: [illegible]

LIFFE EURODOLLAR OPTIONS: [illegible]

LIFFE SHORT STERLING OPTIONS: [illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT: [illegible]

US TREASURY BONDS 8%: [illegible]

6% NOTIONAL GERMAN GOVT. BOND: [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND: [illegible]

THREE MONTH STERLING: [illegible]

THREE MONTH EURODOLLAR: [illegible]

THREE MONTH EUROMARK
DM 1m points of 100%

	Close	High	Low	Prev.
Dec	91.31	91.31	91.29	91.28
Mar	91.23	91.24	91.22	91.22
Jun	91.20	91.20	91.19	91.19
Sep	91.19	91.19	91.18	91.18
Dec	91.14	91.13	91.13	91.12
Mar	91.14			91.13
Jun	91.14			91.13
Sep	91.14			91.13

Estimated volume 4417 (7419)
Previous day's open int. 60412 (61644)

THREE MONTH ECU
ECU 1m points of 100%

	Close	High	Low	Prev.
Dec	90.05	90.05	90.02	90.02
Mar	90.04	90.04	90.00	90.01
Jun	90.16	90.18	90.12	90.02
Sep	90.20	90.20	90.20	90.11

Estimated volume 77 (105)
Previous day's open int. 1267 (1280)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec	2089.0	2094.0	2074.0	2094.0
Mar	2125.0	2117.0	2113.0	2120.0
Jun				

Estimated volume 3154 (5446)
Previous day's open int. 26010 (26009)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9535	1.9440	1.9262	1.9042	1.8698

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.9400	1.9484	1.9392	1.9418
Mar	-	-	1.9140	1.9170
Jun	-	-	-	-

CHICAGO

U.S. TREASURY BONDS (CBT) 8%: [illegible]

U.S. TREASURY BILLS (IMM): [illegible]

JAPANESE YEN (IMM): [illegible]

DEUTSCHE MARK (IMM): [illegible]

THREE-MONTH EURODOLLAR (IMM): [illegible]

SWISS FRANC (IMM): [illegible]

STANDARD & POORS 500 INDEX: [illegible]

PHILADELPHIA SE £/$ OPTIONS: [illegible]

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES: [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF): [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open int.
December	90.04	90.02	+0.01	90.05	90.01	9.98	17,508
March	90.05	90.03	+0.01	90.07	90.02	9.97	7,938
June	90.01	89.99	+0.02	90.02	89.98	10.01	1,422
September	89.96	89.95	+0.01	89.99	89.95	10.05	346

Estimated volume 2,985 Total Open Interest 27,214

CAC-40 FUTURES (MATIF) Stock index

	Open	Close	Change	High	Low	Open int.
October	1611.0	1628.0	+15.5	1632.0	1611.0	6,225
November	1618.0	1634.0	+18.0	1636.0	1615.0	5,001
December	1625.0	1625.0	+2.5	1625.0	1625.0	440
March	-	-	-	-	-	-

Estimated volume 8,817 Total Open Interest 11,666

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	15
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd	15½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc	16½	● Smith & Williamson Secs.	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptrs.	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unibank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of India	14	HFC Bank plc	14	United Mizrahi Bank	14
Bank of Scotland	14	● Hambros Bank	14	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Hampshire Trust Plc	15½	Western Trust	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Westpac Bank Corp.	14
Benchmark Bank	15	● Hill Samuel	14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk	14		
Clydesdale Bank	14	Midland Bank	14		
Comm.Bk of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat Bk. of Kuwait	15		

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MONEY MARKETS

Mixed changes

RATES SHOWED small mixed changes in London yesterday in response to conflicting factors. The pound was slightly weaker, but this was set against expectations that a US budget agreement would lead to lower interest rates. Trading in cash and futures markets was quiet, amid concern about Britain's isolation at the EC summit meeting.

Three-month sterling interbank firmed to 13⅞-13¾ per cent from 13⅞-13¾, but 12-month money was quoted at 13-12⅞ per cent against 13⅛-12⅞. On Liffe short sterling futures remained in a narrow range, with traders seeing little prospect of an early change in UK bank base rates. December delivery opened firmer at 86.68 and touched 86.69 before falling to 86.65 and closing at 86.68, against 86.66 on Friday.

UK clearing bank base lending rate 14 per cent from October 8, 1990.

Day-to-day credit was in moderately short supply on the money market. The Bank of England initially forecast a shortage of £550m, but revised this to £700m at noon.

Total help of £496m was provided. Before lunch the authorities bought £43m bank bills in band 1 at 13¾ per cent. In the afternoon another £138m bank bills were purchased in band 1 also at 13¾ per cent. Late assistance of around £315m was also provided.

Bills maturing in official hands repayment of late assistance and a take-up of Treasury bills drained £695m, with exchequer transactions absorbing £255m and bank balances below target £160m. These outweighed a fall in the note circulation adding £565m to liquidity.

In Frankfurt call money remained at 8.05 per cent, showing little reaction to an addition of liquidity by the Bundesbank via section 17 money. These funds are held by the central bank on behalf of public authorities and can be used to relieve a short-term squeeze on the market. Dealers estimated that about DM5bn was injected at rates of 8.00-8.05 per cent.

The action should help banks meet monthly reserve requirements as October draws to an end. Holdings on Thursday were DM64.7bn, down from DM66.1bn on Wednesday, to average DM70.1bn for the first 25 days of the month, against a likely requirement of DM66-67bn.

In Paris the Bank of France left its money market intervention rate at 9.50 per cent and the five to 10-day repurchase rate at 10.25 per cent at yesterday's securities repurchase tender.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.29) 3 months US dollars		6 months US Dollars	
bid 7¾	offer 8	bid 7¾	offer 8

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
		One month	7.50	Three year	7.90
		Two month	7.39	Four year	8.08
Prime rate	10	Three month	7.36	Five year	8.19
Broker loan rate	9¼	Six month	7.46	Seven year	8.45
Fed.funds	7⅞	One year	7.44	10-year	8.61
Fed.funds at intervention	-	Two year	7.75	30-year	8.75

Oct.29	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.00-8.10	8.15-8.25	8.20-8.35	8.45-8.55	8.55-8.70	8.00
Paris	9¾-9⅞	9¾-9⅞	9¾-9⅞	9⅞-9⅞	10-10⅛	9.50
Zurich	6⅞-7⅛	7⅞-8	-	7⅞-8⅛	-	-
Amsterdam	8.06-8.18	8.12-8.18	-	8.43-8.48	-	-
Tokyo	7⅞-7⅞	7⅞-8⅛	-	8⅛-8⅛	-	-
Milan	9⅞-10⅛	10⅛-10⅜	-	11⅛-11⅛	-	-
Brussels	10.25	8⅞-8⅞	-	8⅞-9	-	-
Dublin	10-10⅛	10-10⅛	9⅞-10⅛	10-10⅛	10⅛-10⅛	-

LONDON MONEY RATES

Oct. 29	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	16	14	14	13⅞	13½	13
Interbank Bid	13⅞	13⅞	13⅞	13¾	13⅝	12⅞
Sterling CDs	-	-	13⅞	13⅞	13½	12⅞
Local Authority Deps.	13⅞	13⅞	13⅞	13¾	13⅜	12⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt. Deps.	14½	13⅞	13⅞	13⅝	-	-
Company Deposits	-	-	13⅞	13⅞	13½	13
Finance House Deposits	-	-	13⅞	13⅞	13½	12⅞
Treasury Bills (Buy)	-	-	13⅞	13⅝	-	-
Bank Bills (Buy)	-	-	13⅞	13⅞	12⅞	-
Fine Trade Bills (Buy)	-	-	14⅛	13⅞	13⅞	-
Dollar CDs	-	-	7.90	7.95	7.95	7.97
SDR Linked Dep. Offer	-	-	9⅛	9⅛	9⅜	9⅜
SDR Linked Dep. Bid	-	-	9	9⅛	9⅛	9⅜
ECU Linked Dep. Offer	-	-	9⅞	9⅞	10⅛	10¼
ECU Linked Dep. Bid	-	-	9⅞	9¾	10⅛	10⅛

Treasury Bills (sell); one-month 13⅞ per cent; three months 13⅛ per cent; six months 12⅝ per cent; Bank Bills (sell): one-month 13⅞ per cent; three months 13⅛ per cent; Treasury Bills; Average tender rate of discount 13.1273 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 8, 1990. Agreed rates for period Oct 24,1990 to Nov 25, 1990, Scheme I: 15.78 p.c., Schemes II & III: 16.21 p.c. Reference rate for period Sept 1,1990 to Sept 28, 1990, Scheme IV&V: 14.955 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from October 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 11½ per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 12 per cent; Under £100,000 10½ per cent from Oct 8,1989, Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

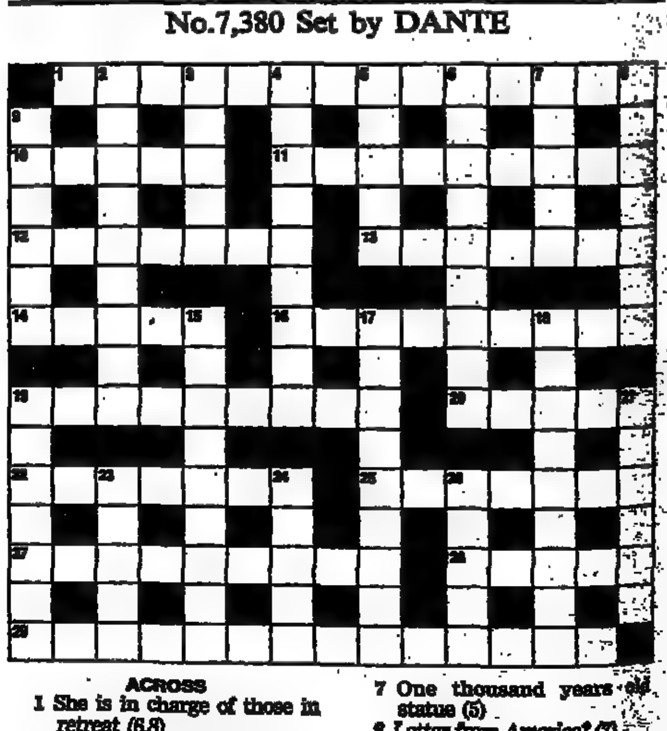
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

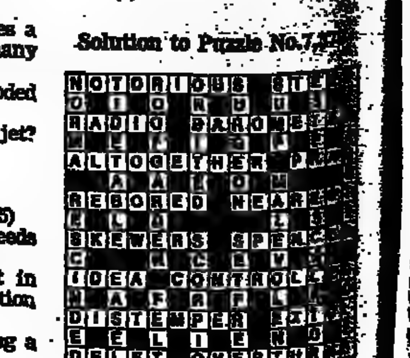
No.7,380 Set by DANTE



ACROSS
1 She is in charge of those in retreat (6,8)
10 Nautical hazards means one takes in sail (5)
11 Mother twice takes in older variety entertainment (9)
12 Old Greek hunter is made to work to a great age (7)
13 The agony of men in the wrong (7)
14 Foreign capital coming from Kyoto (5)
16 It's standard in France (9)
19 Precis-writer in TV and radio? (9)
20 That forget-me-not touch? (5)
22 It's hell for nine at sea (7)
25 Swimmer who may develop into a jumper (7)
27 Like the wave that gives a lasting curve to so many strands (9)
28 Called me in and exploded (5)
29 Propeller of a Jumbo jet? (9,5)

DOWN
2 Caught and bowled? (9)
3 One is quick to make it (5)
4 Considers a terminus needs transport (9)
5 A place of retirement in France lacking illumination (5)
6 I wondered about getting a quilt (9)
7 One thousand years old statue (5)
8 Letter from America? (7)
9 It doesn't describe the present schoolboy (6)
15 Go too far across a stretch of water (9)
17 Treat Iris in a way that annoys (9)
18 Even work might not [illegible] this handyman (3,3,3)
19 He's game (7)
21 Makes better repairs under direction (6)
23 It's loud for a musical [illegible] (5)
24 It can smash a canoe [illegible] pieces (5)
26 He gave the rondo new [illegible] (5)

Solution to Puzzle No.7,3[illegible]



WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices October 29

MONTREAL
Closing prices October 29

INDICES

NEW YORK

DOW JONES	Oct. 29	Oct. 26	Oct. 25	Oct. 24	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Industrials	2430.20	2436.14	2484.16	2504.21	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	88.96	89.06	89.05	88.98	93.04 (3/1)	88.44 (24/9)	—	—
Transport	827.11	837.09	851.33	867.05	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	208.30	208.69	209.82	210.51	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

Day's High 2470.30 (2482.38) Low 2407.67 (2429.21)

STANDARD AND POOR'S

	Oct. 29	Oct. 26	Oct. 25	Oct. 24	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite	301.88	304.71	310.17	312.60	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	355.45	358.50	364.06	367.61	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	18.88	19.32	20.09	20.38	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	165.24	166.71	169.51	170.60	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	288.79	291.39	292.78	292.60	382.45 (5/1)	288.79 (29/10)	397.03 (18/10/89)	29.31 (9/12/72)
NASDAQ Composite	330.80	334.36	339.74	340.98	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Oct. 26	Oct. 19	Oct. 12	year ago (approx.)
Dow Industrial Div. Yield	4.17	4.05	4.23	3.97

	Oct. 24	Oct. 17	Oct. 10	year ago (approx.)
S & P Industrial div. yield	3.42	3.39	3.56	3.12
S & P Ind. P/E ratio	14.86	14.15	14.28	12.89

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA TORONTO

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

**Saturday October 27: Taiwan Weighted Price 3100. ¢ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and ... Industrials – 264.3 and Australia All Ordinary and Mining – 500; ...

TOKYO - Most Active Stocks
Monday 29 October 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
S'tomo Metal	27m	515	+15	Nikkiso	11.2m	1,760	+80
Isuzu Motors	14.4m	690	+30	N'metsu Cnstrn	8.9m	1,370	+20
Aoki Corp	13.1m	1,010	+25	Ebara	8.7m	1,740	+120
Kobe Steel	11.5m	549	-1	Toyobo	8m	695	+40
Fuji Heavy	11.3m	725	+45	Tosoh Corp	7.9m	670	+71

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

4pm prices October 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A — A — A —								
37½	9½	AAR	.48	4.4	7	358	11½	10¾	10¾	-¼
9¼	7¼	ACM n	1.01	13.		327	8⅛	8	8	-⅛
11½	8¼	ACMIn	1.26	13.		1132	10	9¼	9¾	
9¼	6½	ACM M n	1.01	14.		344	7⅜	7¼	7⅜	+⅛
12⅜	10	ACMMM	1.50	13.		79	11⅜	11⅜	11⅜	
11½	8⅝	ACM Sc	1.26	13.		x1005	9⅝	9½	9⅝	
9⅝	7¼	ACMSp	1.01	12.		699	8¼	8	8⅛	-⅛
24⅝	15½	AL Lab	.16	.9	16	122	18½	18	18½	-¼
5¼	1	AM Intl				314	1¼	1⅛	1⅛	-⅛
21⅛	4⅞	AM In pf	2	37.		84	5½	5	5⅜	+⅛
74¼	39¾	AMR			14	2846	45⅝	45	45⅜	
4	1⅞	APX			5	100	1⅞	1⅞	1⅞	
72¼	36¼	ASA	3a	7.0		655	42⅞	42½	42⅝	
45⅝	31¼	AbtLab	s.84	2.0	19	6776	42⅞	41	41¼	-1⅝
14	11⅛	Abitibi g	.50			73	11¼	11⅛	11⅛	
11⅞	4⅞	AcmeC	.40	7.4	8	x49	5½	5⅜	5⅜	+⅛
9⅞	5⅞	AcmeE	.32	5.6	7	5	5¾	5¾	5¾	-¼
32¼	18⅞	Acuson s			19	1542	24⅛	23	23¼	-⅞
16⅞	14⅛	AdaEx	2.08e	14.		104	15¼	15	15	-⅛
18⅞	10	Adobe				886	11	10⅝	10⅝	-¼
20¼	16½	Adob pf	1.84	11.		2	16⅞	16⅞	16⅞	
21⅛	19¼	Adob pf	2.40	12.		4	20⅛	20	20⅛	
11⅛	3⅝	AMD				1027	4⅛	3⅞	4	-⅛
32⅜	16	AMD pf	3	19.		58	16	d15½	15½	-½
9¼	1⅛	Advest	.16	8.0	26	25	2	1⅞	2	
62	29⅜	AetnLf	2.76	9.2	5	6765	30⅝	29⅞	30	-1
13	6⅝	AflPb	.24	3.7		592	6⅝	d 6½	6½	-¼
22½	11⅝	Ahmans	.88	7.7	6	3708	12⅛	11½	11½	-⅞
3⅝	1⅞	Aileen			8	112	3¼	3¼	3⅛	-¼
61	42⅞	AirPrd	1.44	3.0	12	1080	48⅞	47½	48	-1
27	13½	AirFrt s	.30	1.9	8	888	16	15½	15½	-⅞
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
29¾	22½	PSEG	2.08	8.2	10	2488	25½	25	25⅜	+ ⅛
49¼	43	PSEG pf4.08		9.1		100	45	45	45	− ½
59¼	52	PSEG pf5.05		8.9		z400	56½	56½	56½	+ ½
62	54½	PSEG pf5.28		9.1		z200	57⅞	57⅞	57⅞	+1⅜
90¼	81	PSEG pf7.80		9.2		120	84⅝	84⅝	84⅝	+2⅝
86½	77	PSEG pf7.40		9.3		z5100	80¼	80	80	+1
2½	1	Publick				13	1	1	1	− ⅛
53	39⅝	PR Cem	.80a	2.0	6	24	39⅝	39⅝	39⅝	
22½	18⅝	PugetP	1.76	8.8	11	209	20¼	20	20	+ ⅛
12⅛	8½	PDPI	1.23	14.		81	9	8⅞	9	
12½	8⅝	PDIF	1.38	14.		447	10⅛	9½	9⅞	− ⅜
7¼	4⅞	PHICB	.85	17.		270	5⅛	5	5	− ⅛
9⅞	8¼	PHYM	.81	9.7		498	8½	d 8¼	8⅜	− ⅛
9½	7⅞	PIGIT	.96	11.		1507	8⅝	8⅜	8⅝	+ ⅛
12⅛	10¼	PIGM	.89	8.4		334	10⅝	10½	10⅝	
9⅞	8½	PMMI	.76	8.4		537	9	8⅞	9	+ ⅛
8¼	6	PMIIT	.87	13.		1807	6⅝	6⅜	6⅝	+ ⅛
8¼	6¼	PMIT	.95	14.		553	6⅞	6⅝	6⅞	− ⅛
8½	6⅜	PPrIT	.93	14.		3628	6⅞	6⅝	6⅝	− ⅛
21¼	8½	QMS			10	450	12½	11⅞	12¼	+ ½
13-16	5-64	Qantel				144	⅛	15-128	15-128	−5-128
62⅞	41⅞	QuakrO	1.56	3.3	17	801	48	47½	47½	− ½
15¾	7⅞	QuakSC	.80	9.1	16	282	9	8⅝	8⅝	− ⅛
18⅝	9⅛	Quanex	.40	3.9	6	106	10⅜	10⅛	10⅜	− ⅛
36⅝	8½	Quantm	.44t	4.2	9	1748	10⅞	10⅜	10½	
14	11⅞	QstVI	1.20a	9.9		92	12¼	12⅛	12⅛	− ⅛
14⅝	10⅛	QstVC				250	10⅜	10⅜	10⅜	
39¾	32⅝	Questar	1.86	5.4	14	210	35⅛	35¼	35½	
16½	9½	QkReily	.28a	2.9	5	3	9⅝	9⅝	9⅝	

– R–R–R –

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
11	9⅞	RAC In	1.28	12.		132	10⅜	10⅜	10⅜	
4⅞	2	RAC	.55e	15.	5	114	4½	4⅜	4⅜	− ⅛
20¼	17⅛	RJR pf				11271	18⅝	18⅜	18⅝	+ ⅛
7¾	3⅛	RJR Nb wt				575	4⅞	4⅞	4⅞	
14⅜	7⅞	RLI Cp	.44	4.0	6	39	11⅛	10⅞	11⅛	+ ⅜
13	4⅞	RMI Ti	.10	2.1		186	4⅞	4⅞	4⅞	− ⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
36⅛	26⅛	SwEnr	.56	1.8	19	22	31⅛	31⅛	31⅛	+ ⅛
51⅝	25⅛	SwtPS	2.20	7.8	10	180	28⅝	28	28⅛	− ⅜
33	10⅛	Spain	.98e	8.0		56	12⅛	12⅛	12⅛	+ ⅛
8⅝	2½	Sparton	.13j			3	3	3	3	
7⅞	3⅛	Sprague	.05e	1.5	11	186	3⅜	3⅛	3⅜	
39½	16⅞	Springs	1.20	6.4	186	108	19⅛	18½	18⅝	− ⅛
60⅛	38⅞	SquarD	2.20	5.7	9	879	39⅛	38	38⅞	+ ⅜
15	4⅞	StBPnt				73	5½	5	5⅜	+ ⅜
14⅜	6⅞	StdCm	.52	7.7		114	7⅛	d 6½	6⅞	− ⅜
11⅝	5½	StFdBk	.40	7.1	4	342	5⅞	5⅝	5⅝	− ⅛
15½	6⅜	StMotr	.32	4.9	10	32	6½	d 6⅛	6½	− ⅛
16⅛	4⅞	StdPac	2a	40.	2	324	5⅛	5	5	
30	13	StdPrd	.92	6.6	16	39	14	13⅝	14	+ ⅜
34⅞	24⅞	Stanhm	.80	2.8	11	97	29	28½	28½	− ⅜
40	26½	StanlWk	1.20	4.4	10	204	28⅝	27½	27½	−1
25⅜	18⅛	Starret	.68	3.7	7	12	18⅝	18⅜	18⅜	− ⅜
11⅛	9⅛	StaMSe	1.04	12.		16	9⅛	d 9	9	− ⅛
10	8	StrlBcp	.20	3.2		40	8⅜	8⅛	8⅛	− ⅛
8⅝	6⅛	StriCh	1	17.	6	414	6	5⅞	6	+ ⅜
11	5½	StartSft			8	107	7⅛	7	7	− ⅜
49	40⅝	StrlSl pf7.20		17.		4	43⅛	43⅛	43⅛	+ ⅜
12⅛	10⅝	StlVC pr	1	9.3		z130	10⅝	10⅝	10⅝	− ⅛
7	4	Stifel			43	886	4⅛	4	4⅛	+ ⅛
41⅛	28⅛	StoneW	s1.20	4.3	52	12	28⅛	d27⅞	27⅞	− ⅜
27⅛	8½	StoneC	.72	8.1	4	1859	9⅝	8⅞	8⅞	− ⅜
9½	4	StonRs				58	4⅜	4	4⅛	− ⅛
12⅞	6⅛	StorEq	.80	12.	6	63	6⅞	6½	6⅝	+ ⅜
35⅛	11	StarTc n			7	962	13⅞	13⅛	13½	− ⅜
20	14⅝	Strikes			11	945	19⅛	18⅜	18⅜	− ⅜
30⅜	19½	StridRt	.40	1.8	11	1579	23⅛	22¼	22⅜	− ⅞
33	21½	SturmR	1.20	5.3	9	6	22⅝	22⅝	22⅝	
14½	6	SuavSh	.10e	1.1	16	31	9⅛	8⅞	8⅞	
10⅜	7⅛	SunDis	n1.10	14.	4	120	7⅞	7½	7⅞	− ⅛
4½	2⅛	SunDisB				136	2⅛	2⅛	2⅛	− ⅛
22½	12⅝	SunEl				91	15⅛	14⅞	15	+ ⅛
13⅝	10⅛	SunEng	1.36e	12.	36	83	11⅛	11	11⅛	

– X–Y–Z –

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
66⅛	29⅝	Xerox	3	10.	5	4679	30⅛	29⅛	29⅝	+ ⅛
33⅝	13⅛	XTRA	.72	5.0		91	14⅛	14⅝	14⅝	− ⅛
25	13⅛	XTRA pf1.94		15.		186	13⅛	d13	13	− ⅛
4	⅞	Zapata				141	15-16	⅞	⅞	
9⅛	3⅝	Zemex				36	3⅝	3⅝	3⅝	
19⅞	4	ZenithE				3219	6⅛	6⅛	6⅛	+ ⅛
10⅞	10⅛	ZenNtl	.90	8.6	5	9	10⅛	10⅛	10⅛	+ ⅛
8	4⅛	Zenix	.93	20.		454	4⅞	4⅝	4⅝	− ⅛
17⅛	9⅞	Zero	.40	3.8	11	40	10⅝	10⅛	10⅝	
61⅝	28⅝	Zumin	.88	2.7	14	282	33⅝	32⅜	32⅝	−1
12⅝	10⅛	Zweig	1.19e	12.		277	10⅜	d10⅛	10⅜	− ⅛
10	7⅞	ZweigTl	.84	9.9		967	8⅝	8⅝	8⅝	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices October 29

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

3pm prices October 29

Stock	Div.	Sales 100s	High	Low	Last	Chng
WtvExp		274	7	6⅝	6⅝	− ⅛
WtvEx pf		85	18	17⅞	17⅞	− ⅛
Worthg	.60	16 888	21⅛	20⅝	20⅝	− ⅛
Wyman	.60	98	8	7½	7½	− ⅛

– X–Y–Z –

Stock	Div.	Sales 100s	High	Low	Last	Chng
XL Dis		[illegible]	7⅛	6⅞	7⅛	+ ⅛
XOMA		2220	16⅞	[illegible]	16⅛	− 1
Xilinx		213	11½	11⅛	11⅜	
YanExS	1.32	15 1239	19	18½	19	
YelowF	.94	24 545	22	21⅛	21⅛	− ⅜
YorkRs		11 163	9½	8⅞	9	+ ⅛
Zeos		17 112	15	14⅛	14⅛	− ⅜
ZionBc	1.44	[illegible]	26½	26⅛	26⅛	+ ⅛

AMERICA

Budget accord rally lost as oil prices go higher

Wall Street

AN EARLY morning rally on the back of the budget agreement fizzled out around mid-session as higher oil prices pushed equities lower, *writes Karen Zagor in New York*.

The Dow Jones Industrial Average ended a net 5.94 easier at 2,430.20 after having climbed more than 22 points earlier in the day. Volume was thin, with 134m shares changing hands. On Friday the Dow fell 48 points.

The rise during the morning was spurred by the agreement in Congress on a five-year $500m federal deficit reduction package. However, the market was unable to sustain its gains in the face of higher crude oil prices, which moved up after diplomatic talks between Iraq and the Soviet Union at the weekend failed to produce any tangible agreements. In late trading the December crude oil contract was quoted $1.74 a barrel higher at $34.75.

The decline was broadly-based, with the Standard & Poor's 500 receding 2.84 to 301.87 and the American Stock Exchange composite losing 2.60 to 288.79. On the NYSE big board falls outscored advances by 1,030 to 480.

Southern led the NYSE's most active list and added $⅜ at $26¼ in dividend-related trading. The stock will trade ex-dividend today. There was also heavy, dividend-related trading in Teco Energy, which eased $⅛ to $29⅞. The company will pay a 40.5 cents regular quarterly dividend.

Among active blue chips, Mobil dipped $⅝ to $57½, General Electric added $¼ at $50⅜ and AT&T softened $⅛ to $33⅞.

Boeing gained $⅜ to $46⅛ after turning in third quarter net income of 41.10 cents a share, against 70 cents in 1989. Boeing's board yesterday formally approved the company's programme for Boeing 777 planes.

Pfizer rose $⅝ to $74⅝ after an analyst at Salomon Brothers lifted his rating on the stock to buy from hold, partly because of price weakness. On Friday the stock tumbled $3 to $74⅛ after the company said research and development and marketing expenses would increase more quickly than gains in sales and earnings.

In the secondary market, the Nasdaq composite moved 3.55 lower to 330.81. Analysts said that the erosion in secondary stocks was magnified by thin volume. Sun Microsystems dipped $⅛ to $15⅝ and MCI Communications receded $⅛ to $29⅞.

Mentor dropped $1⅝ to $10⅝ after an analyst at Piper Jaffray & Hopwood cut his investment rating from buy to accumulate.

ADT ADRs gained $1 to $20⅛. On Friday, the company said it had asked the London Stock Exchange to investigate trading in its shares. ADT also said it had repurchased 4.5m shares.

Canada

TORONTO stocks finished mixed to easier after very thin trading, with investors waiting for the US third quarter GNP figures due today.

The composite index shed a mere 3.1 to 3,083.3, although declines led advances by 278 to 178. Volume totalled only 13.5m shares, down from Friday's 17.1m. Eight of the 14 group indices were lower, consumer products leading with a fall of 1.12 per cent. Gold issues were firmer.

Malaysia leads the gains in subdued week

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1990	Start of 1990
Austria	+4.76	+15.26	+ 9.90	+ 5.34	- 3.34	+17.25
Belgium	+2.06	+ 4.92	-20.97	-21.55	-26.33	-10.63
Denmark	+0.90	+ 7.01	+ 0.40	- 5.78	-11.66	+ 7.16
Finland	+2.18	- 6.20	-30.66	-32.00	-37.18	-23.20
France	-0.84	+ 6.72	-14.64	-21.80	-26.47	-10.81
Germany	-0.60	+10.61	- 1.61	-15.94	-22.67	- 6.20
Ireland	+2.90	+12.57	-17.64	-21.47	-26.30	-10.50
Italy	+1.84	+ 3.09	-16.19	-21.18	-27.46	-12.01
Netherlands	+0.73	+ 2.48	-11.89	-16.09	-22.63	- 6.14
Norway	+1.52	- 3.40	+20.88	+ 8.30	- 0.08	+21.21
Spain	+2.18	+13.41	-23.27	-19.92	-23.94	- 7.73
Sweden	+3.17	+ 9.38	-11.81	-16.22	-23.83	- 7.61
Switzerland	-2.66	+ 6.50	-16.57	-18.98	-19.54	- 2.40
UK	-1.19	+ 4.02	- 5.38	-16.06	-16.06	+ 1.81
EUROPE	-0.43	+ 5.93	- 9.12	-17.27	-20.59	- 3.56
Australia	-0.97	- 2.09	-16.08	-16.23	-31.66	-17.11
Hong Kong	+3.13	+11.09	+ 9.53	+ 6.42	-12.04	+ 8.70
Japan	+1.22	+18.46	-33.71	-37.47	-42.09	-29.75
Malaysia	+8.75	+12.81	+ 4.64	- 9.82	-25.66	- 9.85
New Zealand	-2.77	- 4.22	-32.84	-28.12	-39.21	-26.26
Singapore	+4.61	+ 8.56	- 8.92	-16.22	-23.66	- 7.40
Canada	-0.05	- 2.43	-17.18	-18.38	-33.13	-15.65
USA	-2.39	- 0.49	-10.64	-14.19	-29.26	-14.19
Mexico	+5.99	+15.47	+93.84	+84.04	+39.91	+69.72
South Africa	+4.35	- 3.86	+ 6.11	-11.30	-31.28	-16.64
WORLD INDEX	-0.40	+ 7.36	-19.50	-24.12	-32.59	-18.23

† Based on October 26th 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Ltd

By William Cochrane

SUBDUED performances from Europe and North America left the Pacific Basin holding up the globe last week as the FT-Actuaries World Index eased by 0.4 per cent after a 5.1 per cent gain the week before.

Japan, the driving force in the previous week with a rise of 10 per cent, consolidated in strength. It fell to Malaysia to lead the world last week with an 8.8 per cent advance after the victory for Dr Mahathir's National Front coalition in the general election.

The ruling coalition got the two-thirds majority which traditionally makes for comfortable government, says David Bates, a director of the Thai-owned Asia Equity; this led to particularly strong performances in stocks such as United Engineers Malaysia, Renong and Faber Merlin closely related to Umno (United Malay National Organisation), the dominant partner in the coalition.

Malaysia's neighbour and erstwhile stock exchange partner, Singapore, had a rise which Mr Bates believes was more technical than fundamental. "At the end of the week the fundamentals were not looking too good for some companies," he adds. Singapore Airlines, for example, reported interim profits down 13 per cent; this might look admirable in the context of airline performance and prospects in Europe, but in Singapore it is compared with expectations for the company, three months ago, of 10 per cent per annum growth for the rest of this decade.

Hong Kong was encouraged by a combination of an interest rate cut, a sharp fall in oil prices and a better Wall Street in the first couple of days. However, the market was going into a long weekend, and it was indecisive ahead of that.

The theme of quieter giants and better performances on the periphery applied elsewhere in the world. Towards the end of the week, higher oil prices and worries about the US banking sector weighed on Wall Street's performance, and Mexico carried the flag for North America with a rise on the week of 6 per cent. This reflected the return of foreign investors to the market, said Mr Mark Smith at Corporate Broking Services.

In Europe, Austria was the top performer. Ms Rebecca Winnington-Ingram of Barclays de Zoete Wedd says the 4.8 per cent gain was achieved in very low volume, but it did reflect some relief that the big insurance company Bundesländer had sharply reduced its rights offer in preference shares from Sch2.2bn (US$207m) to Sch750m.

The Continent saw a lot of corporate news last week, reaching the heights with Norsk Hydro and its apparently endless North Sea oil and gas prospects, and the depths with Philips' large losses, a passed dividend and jump in prospective job cuts.

The next best advance was in Sweden, where there were hopes, disappointed after the market closed on Friday, that a new austerity programme would improve the country's economic prospects.

South Africa's gains represented a pick-up in both golds and industrials, but towards the end of the week the market's heat had been lost.

EUROPE

Deterioration in company earnings lowers bourses

MOUNTING concerns about deteriorating company earnings depressed many bourses yesterday. The FT-SE Eurotrack index, which went live on the day, fell 1.53 from a rebased 1,000 to 998.47, *writes Our Markets Staff*.

PARIS came off the day's lows on a firm opening on Wall Street but volume was low at around FFr1.2bn. Half-term school holidays and Thursday's All Saints Day holiday were likely to restrict activity for the rest of the week. The CAC 40 index ended 9.32 better at 1,627.90 after a low of 1,607.57.

Elf Aquitaine, the oil company, was steady at FFr624 amid rumours that it was interested in acquiring the PVC joint venture between Enimont of Italy and ICI, and/or Enimont's fertiliser business. Meanwhile, Elf said it would allow Spain's Banco Central to take a stake in it. Elf owns 3.2 per cent of the Spanish bank.

BSN rose FFr1 to FFr755 on reports that it was strengthening its position in the fragmented Italian food market by buying Parma Sole, an unquoted canned food company. Remy et Associés fell FFr13 to FFr265 as excitement subsided over Highland Distilleries' indirect stake in the French drinks company.

Lafarge, the cement maker, was steady at FFr353 after saying it would take a second half provision of FFr130m after its US subsidiary, Aancor Holdings, filed for Chapter 11 bankruptcy protection.

FRANKFURT levelled off after an early scare. The DAX index closed just 2.56 lower at 1,454.49 after an early drop of more than 16 points, and a 2.7 per cent fall last Friday. At midsession, the FAX index was 3.76 lower at 628.76.

Volume fell to DM4.1bn to DM3.7bn as stories circulated about Volkswagen's earnings prospects, once again, and Deutsche Bank's securities trading. The share prices lost DM6.50 to DM372, and DM3.50 to DM614.50 respectively, against which other big international blue chips like Daimler and Siemens rose DM4.50 and DM4, both to DM599.50.

Lower earnings per share from Volkswagen in 1990 were already broadly expected, but the company yesterday denied a magazine report forecasting a 38 per cent drop in pre-tax profits for the year. For Deutsche Bank, a management board member was reported as saying that earnings would be affected by the decline in the stock market.

MILAN was depressed by the latest episode in the Enimont saga. The Comit index closed 7.77 lower at 562.13.

Following Saturday's resignation of the entire Enimont board, Enimont fell L52 or 4.5 per cent to L1,119 lire while Montedison dropped to L95 or 7.4 per cent to L1,191.

Mediobanca, Generali's largest single shareholder, said it had increased its stake in the insurer to 5.94 per cent from 5.40 per cent. Generali closed L280 lower at L33,620.

AMSTERDAM waited for the third quarter results from DSM on Wednesday and Akzo on Thursday. Volume was especially thin as many Dutch fund managers had gone to Germany on an outing organised by Pierson, the brokers. The CBS Tendency index closed 0.4 higher at 97.2.

Brokers feared that the chemical companies' reports would disappoint. There were also concerns for the results of the more defensive banking and insurance sectors, because of their exposure to the dollar and the US economy.

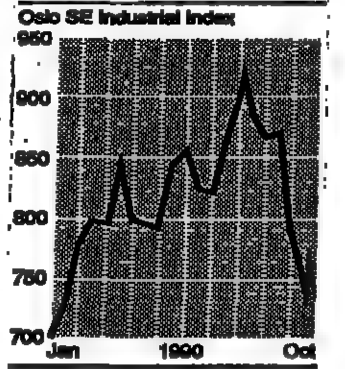
BRUSSELS saw a rebound in FN, the arms manufacturer, whose preferred shares rose 14.5 per cent to BFr126, after Friday's 23 per cent drop, on reports that the ailing company would win a few weeks' reprieve in its struggle to avoid going into receivership.

The cash market index eased 19.66 to 5,206.26.

STOCKHOLM was disappointed by the shortcomings in the government's austerity package. The Affärsvärlden general index fell 13.9 to 921.3 as turnover slipped another year's low of SKr128m.

Norway

Oslo SE Industrial index



THE COLLAPSE of Norway's tripartite centre-right Government caused investor uncertainty yesterday, writes Karen Fossli in Oslo.

An analyst with Sundahl, Collier & Montagu, Norway's leading stockbroker, said last night that, coupled with the Middle East crisis, Norway's political crisis had brought trading to a virtual standstill.

Oslo's all-share index slid by 7.7 to 510.1. Volume was low at NKr107 million, of which Norsk Hydro, Norway's largest publicly quoted company, accounted for NKr38m.

In the first instance Mr Jan P Syse, the Conservative prime minister who lodged the Government's resignation with the Storting, Norway's parliament, yesterday at noon, will be given the chance to form a new Government.

If he fails, however, the opposition Labour party, under the leadership of Mrs Gro Harlem Brundtland, is likely to step in and take control. This will not be decided for at least two days, and the prospect is likely to keep investor interest cautious, and turnover low.

ASIA PACIFIC

Nikkei starts week bolstered by stronger yen

Tokyo

EQUITIES started the week firmer, bolstered by a stronger yen, signs of an imminent reduction in domestic interest rates and the acceptance by US Congress members at the weekend of a budget deficit-cutting bill, *writes Martina Gannon in Tokyo*.

After moving in a very narrow range from a low of 25,004.26 to a high of 25,393.25 during the day, the Nikkei Average ended at 25,329.31, up 323.67. Volume remained at Friday's moderate level of around 500m shares, and advancing issues led falls by 678 to 306, with 141 issues unchanged. The Topix index of all listed stocks rose 15.03 to 1,876.07, but in London the ISE/Nikkei 50 index eased 0.28 to 1,408.26.

Institutional investors kept to the sidelines, while individuals bought in small lots. There was also a considerable amount of index-linked buying by investment trust funds. Many sectors added to last week's advances, including chemicals, paper and pulps, constructions, and electricals.

Pharmaceuticals were sought by traders aiming to hedge against a possible economic slowdown. Dainippon Pharmaceutical rose Y50 to Y2,280 and Yamanouchi Pharmaceutical Y20 to Y2,940.

Environment-related issues also fared well, with Ebara – one of the day's most active stocks – climbing Y120 to Y1,740. Shares of games and toy companies, riding on the amusement centre boom, were popular, although a round of selling at the end of the day brought some stocks down. Konami, which manufactures software for Nintendo-produced family computers, jumped Y450 to Y7,700. Bandai, a leading toy concern specialising in robot dolls and plastic model kits, lost Y30 to Y7,540.

High-tech issues were generally weaker, but TDK added Y100 at Y5,310. Financials were mixed. Dai Ichi Kangyo Bank gained Y30 to Y1,790 but Fuji Bank shed Y20 to Y2,110.

NTT, which retreated on Friday after gaining for eight consecutive trading days, attracted renewed buying interest. The company announced at the weekend that some progress had been made in talks with the Finance Ministry on obtaining a listing on the New York Stock Exchange next year. The stock put on Y30,000 to Y1.1m, after rising to Y1.15m at one stage.

Nikkiso, the day's sixth most active stock with volume of 11.2m shares, ended Y80 ahead at Y1,760 after hitting an all-time high of Y1,830 at one stage. Rumours that a speculative group was showing interest in Nikkiso, which makes precision pumps for the chemical industry, prompted buying by individual investors.

In Osaka, equities advanced for the 11th consecutive business day, and the OSE average rose 196.44 to 29,448.21. Volume slipped from Friday's 54m to 51.7m shares. Pharmaceuticals and issues to be included in the Kitahama Fund continued to firm, but the construction sector was weak.

Roundup

PACIFIC RIM markets gave a mixed performance yesterday, but Tokyo's gains and the US budget agreement provided some positive influence.

NEW ZEALAND eased in thin trading following the widely-expected change of government from Labour to the conservative National Party at Saturday's general election.

A firmer New Zealand dollar discouraged foreign buyers and weighed on stocks that are also listed in Australia. The Barclays index fell 36.44 to 1,372.74, while turnover dropped to NZ$5.9m from NZ$11.1m.

TAIWAN rebounded 6.7 per cent in speculative trading as the big players returned after Saturday's sharp fall. The weighted index jumped 206.83 to 3,309.05, recovering all but eight points of Saturday's tumble. Turnover increased to T$32.6bn from T$23.6bn.

SEOUL forged ahead 3 per cent at the start but quickly lost its gains as individual investors sold heavily. The composite index ended a net 12.16, or 1.7 per cent, down at 720.89 after volume of Won509.6bn.

A split within the ruling Democratic Liberal Party over a plan to change the type of government from the current presidential system to a parliamentary system also damaged market sentiment.

AUSTRALIA drifted lower in thin trading. The All-Ordinaries index fell for the fourth consecutive day, by 9.9 to 1,344.7. Turnover was down to A$130m from A$318m.

AdSteam, which went ex the 25 cents dividend on Friday, fell 34 cents to A$1.76. Mr Rupert Murdoch's News Corp shed 20 cents to A$5.60 on profit-taking after last week's rally.

HONG KONG finished mixed with a firmer bias. The Hang Seng index gained 12.66 to 3,063.53, following the local three-day weekend. Turnover expanded to HK$1.09bn from last Thursday's HK$1.03bn.

Shares in Cheung Wah Development, a dyestuffs producer, surged 83 per cent on their first day of trading. They finished at HK$1.99 after an intraday high of HK$2.05, compared with the issue price of HK$1.09.

SINGAPORE was supported by the firmer Tokyo market and agreement on the US budget. The Straits Times Industrial index gained 2.12 to 1,177.11. Volume rose to S$70.1m from S$64.3m. Singapore Airlines foreign shares retreated 70 cents to S$14.00 on reporting a 13 per cent decline in after-tax earnings. KUALA LUMPUR's composite index rose 3.90 to 508.34.

MANILA tumbled on profit-taking after last week's gains. The composite index receded 10.20 to 606.19 and volume shrank to 50.6m pesos from 115m pesos.

BOMBAY was closed to enable brokers to square up accounts from the previous three weeks. On Friday the BSE index fell 29.71 to 1,269.46.

SOUTH AFRICA

JOHANNESBURG lost ground in light trading. The all-gold index dropped 37 to 1,390 as bullion prices fell back and the all-share index lost 30 to 2,647. De Beers was 60 cents easier at R64.25, but recovered from an early low of R63.50.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY OCTOBER 29 1990								FRIDAY OCTOBER 26 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (77)	124.98	−0.4	94.85	101.44	98.54	106.05	−0.7	7.27	125.48	95.11	101.53	98.90	106.74	158.31	123.49	147.99
Austria (19)	207.99	−2.6	157.85	168.82	163.99	163.76	−2.8	1.67	213.63	161.93	172.85	168.38	168.47	285.63	178.57	148.93
Belgium (61)	138.03	−0.1	104.75	112.02	108.82	106.03	−0.5	5.46	138.23	104.77	111.83	108.94	106.53	160.02	126.67	137.13
Canada (120)	123.31	−0.1	93.59	100.08	97.21	103.93	−0.2	3.82	123.45	93.57	99.88	97.29	104.19	153.61	121.24	147.57
Denmark (33)	258.35	−0.5	196.07	209.69	203.69	203.01	−0.6	1.46	259.57	196.75	210.02	204.58	204.23	277.62	234.05	209.95
Finland (25)	101.55	+0.0	77.07	82.43	80.07	76.69	−0.3	3.98	101.57	76.99	82.19	80.06	76.90	152.29	98.91	124.16
France (122)	139.04	−0.1	105.52	112.84	109.61	110.74	+0.0	3.71	139.16	105.48	112.59	109.67	110.73	168.85	124.98	131.43
Germany (91)	115.24	−0.7	87.46	93.55	90.86	90.86	−0.7	2.50	116.05	87.96	93.91	91.46	91.46	144.63	101.38	95.02
Hong Kong (48)	124.67	−0.3	94.62	101.18	98.30	124.65	−0.2	5.29	124.98	94.73	101.12	98.51	124.90	147.49	112.24	113.20
Ireland (17)	162.20	−0.1	123.10	131.65	127.88	129.31	+0.0	4.04	162.29	123.01	131.31	127.91	129.31	198.57	139.04	158.42
Italy (91)	85.24	−1.6	64.69	69.18	67.20	72.37	−1.5	3.40	86.61	65.65	70.08	68.26	73.48	109.26	80.87	86.59
Japan (454)	139.16	+0.4	105.61	112.94	109.73	112.94	+0.7	0.75	138.67	105.11	112.20	109.31	112.20	197.26	106.58	187.02
Malaysia (35)	207.25	+0.4	157.29	168.21	163.40	215.63	+0.5	2.91	206.48	156.50	167.05	162.73	214.67	250.89	182.96	191.06
Mexico (13)	546.44	−1.1	414.72	443.51	430.83	1747.54	−0.8	0.39	552.38	418.69	446.93	435.36	1761.69	561.41	324.53	301.39
Netherland (41)	134.70	−0.3	102.23	109.33	106.20	105.13	−0.2	5.11	135.05	102.36	109.27	106.44	105.31	149.03	127.56	125.52
New Zealand (16)	51.70	−2.7	39.24	41.96	40.76	44.68	−3.6	7.54	53.16	40.29	43.01	41.90	46.32	75.36	50.73	75.41
Norway (27)	237.73	−1.9	180.42	192.95	187.44	190.06	−1.9	1.63	242.24	183.61	196.00	190.93	193.74	276.79	202.34	166.85
Singapore (25)	165.94	+1.1	125.94	134.68	130.83	130.42	+0.3	3.28	164.09	124.38	132.77	129.33	129.99	209.24	147.24	152.62
South Africa (60)	161.23	−1.6	122.37	130.86	127.12	133.25	−1.2	4.20	163.82	124.17	132.54	129.11	134.88	251.39	151.50	154.17
Spain (42)	149.42	−0.7	113.40	121.28	117.81	107.60	−0.6	5.16	150.47	114.05	121.75	118.59	108.23	182.25	128.54	158.03
Sweden (27)	175.86	−0.9	133.47	142.74	138.65	146.37	−0.8	2.78	177.44	134.50	143.57	139.86	147.50	234.93	158.07	173.74
Switzerland (68)	91.06	−0.8	69.12	73.92	71.82	72.64	−0.3	2.94	91.81	69.59	74.29	72.37	72.86	109.77	85.00	86.79
United Kingdom (299)	161.28	−0.2	122.40	130.89	127.14	122.40	−0.1	5.68	161.57	122.47	130.72	127.33	122.47	176.18	139.87	136.66
USA (533)	121.60	−0.9	92.29	98.70	95.88	121.60	−0.9	4.04	122.75	93.04	99.32	96.75	122.75	148.95	119.06	136.12
Europe (963)	136.54	−0.4	103.62	110.82	107.66	105.82	−0.3	4.39	137.14	103.95	110.96	108.09	106.18	157.65	124.91	121.62
Nordic (112)	186.12	−0.8	141.26	151.07	146.74	144.50	−0.8	2.10	187.67	142.25	151.85	147.91	145.72	223.29	172.38	165.76
Pacific Basin (655)	137.82	+0.3	104.59	111.86	108.66	112.79	+0.6	1.12	137.39	104.14	111.17	108.29	112.14	192.75	107.82	182.63
Euro−Pacific (1618)	137.66	+0.0	104.48	111.72	108.53	110.86	+0.2	2.44	137.66	104.34	111.37	108.49	110.43	174.18	116.03	158.28
North America (653)	121.62	−0.9	92.30	98.72	95.91	120.46	−0.9	4.02	122.71	93.01	99.29	96.73	121.55	148.43	119.26	136.71
Europe Ex. UK (664)	120.91	−0.6	91.76	98.15	95.35	95.88	−0.5	3.47	121.67	92.22	98.46	95.91	96.40	145.62	109.94	111.40
Pacific Ex. Japan (201)	121.26	−0.3	92.03	98.44	95.62	107.15	−0.5	6.11	121.63	92.19	98.43	95.88	107.70	146.72	117.08	129.97
World Ex. US (1811)	137.64	+0.0	104.46	111.73	108.53	111.09	+0.2	2.50	137.67	104.35	111.40	108.51	110.90	173.77	117.12	157.96
World Ex. UK (2045)	128.09	−0.3	97.21	103.97	101.00	113.73	−0.2	2.66	128.52	97.41	103.99	101.30	113.96	162.00	115.37	150.38
World Ex. So. Af. (2284)	130.85	−0.3	99.31	106.22	103.18	114.44	−0.2	2.98	131.25	99.49	106.21	103.46	114.64	161.84	118.04	149.10
World Ex. Japan (1890)	128.12	−0.7	97.23	104.00	101.03	115.15	−0.7	4.25	129.00	97.78	104.39	101.69	115.91	151.59	124.31	131.09
The World Index (2344)	131.04	−0.3	99.45	106.36	103.32	114.57	−0.2	2.89	131.45	99.64	106.36	103.61	114.78	162.05	118.33	149.13

Irish market closed October 29.

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FINANCIAL TIMES SURVEY

URBAN DEVELOPMENT IN THE THATCHER ERA

Tuesday October 30 1990

The strategy in Britain for arresting decline and developing the cities has since 1979 increasingly relied on the private sector taking risks. But can this policy still work with land and property values falling?

Ian Hamilton Fazey reports

Showdown in the cities

THE CRUNCH has come in British urban development. Today in London the government is relaunching its urban development corporations (UDCs) on the private sector in the most hostile climate they have yet faced.

Minds have been focused by a slump in southern land and property prices and their effect on flagship projects in London's docklands. The corporations are under attack by Labour for lack of accountability to local communities.

But is the government's urban development strategy really in trouble? There may be a prices crisis in London, but much is going on elsewhere in the country. Since land prices have never bubbled there, they are not about to burst. Indeed, commercial rents are still rising in many areas.

Moreover, urban strategy is not just about UDCs, which this year will cost £542m of "Action for Cities" spending of £4bn.

A general election is approaching and Labour's power base is in the town halls of urban Britain. In the Thatcher era, they have been progressively bypassed in urban development, in contrast to the 1960s and 1970s, when they were central to it. Many councillors resent the loss of planning and compulsory land purchasing powers to the UDCs, and say they would do better because they would be more sensitive to local needs. This is the main conflict over urban development today.

When the Conservatives came to power in 1979, Britain's cities seemed in inexorable decline as people migrated and business confidence fell. The government argued that urban development strategy had failed: the urban programme, run by local authorities, was making increasing demands for central funds, yet decline continued.

A radical policy switch used government money to force a revaluation of the urban marketplace – mainly by clearing dereliction and improving infrastructure – so that cities could compete better with the suburbs, motorway corridors and new towns. The idea was to reduce downside risk to a level where the private sector would see enough potential to develop in cities, rather than take softer profits elsewhere. Cities would be investment opportunities, rather than mere consumers of public funds.

The first experiment was with UDCs for the London and Mersey docklands. Other experiments included enterprise zones, where developers were given 100 per cent capital grants and paid no business rates for 10 years.

Urban development grants followed, while the role of derelict land grant in clearing spoil tips from colliery pit heads was extended to disused urban railway sidings and knocking down redundant factories.

Garden festivals were copied from Germany as a means of focusing efforts into large-scale clearance of dereliction and re-use of the land afterwards for factories or housing.

Not all was reliance on the private sector. English Estates, the government's factory building agency, switched from standardised advance factories into attractive, speculative buildings in areas of special need that might appeal to blue-chip tenants.

Mr Tony Pender, English Estates' chief executive, says the sense of this has been proved by Bradford's science park, the Wavertree technology park in Liverpool, and the conversion of Liverpool's disused Exchange Station into prestigious offices.

Overall, there has been mixed success. In London, docklands development was fuelled by the pressure on space in the capital's centre and rising demand in an period of spurting economic growth. Values soared. In contrast, Merseyside languished because its unbalanced, port-based economic structure and conflict-riven political image prevented business confidence developing. Only recently has industrial land there become marketable again.

Some enterprise zones succeeded because the local councils made sure they did, as in Salford, where the zone led to rising rental values and returns on investment that helped the development of Salford Quays.

Derelict land grant spending has been almost universally effective. Urban development grants, which had to be strained through town hall bureaucracies, were transformed into "city" grants so that private sector developers could apply direct to government.

The government's approach to urban development has also been about leadership. With many councils bogged down by bureaucracy and its concomitant collectivism, the UDCs and the system of grants have been mostly exploited by "enablers", who have driven projects through.

Among the early ones, Sir Leslie Young, then chairman of J.Bibby, was knighted for his leadership of Merseyside Development Corporation.

Outside the UDCs, Mr John Hall, a north-east property developer, defied belief by creating the Metrocentre, a high quality retail and leisure complex, out of a seemingly irredeemable tract of industrial dereliction in Gateshead.

Among the UDCs today, Teesside stands out for the marketing skill of Mr Duncan Hall, its chief executive, who had already made his name for the regeneration of Corby, Northamptonshire, after steelworks closures wrecked its industrial base.

Mr Hall now claims that the Teesside UDC has secured £1.5bn of future development. Even sceptics grudgingly admit that his optimism is probably more concerned with timescale – their estimate 20 years as opposed to his of five – than quantity.

But Teesside illustrates the conflicting signals about the overall situation because British Urban Development (Bud), a consortium of 11 large construction companies formed in 1988 to look for large-scale urban projects, this month pulled out of a project in Middlesbrough docks.

At the same time Bud has scaled down its head office and moved it from London's West End, leading some to conclude this threatens national strategy. But Bud is a consequence of that strategy rather than central to it.

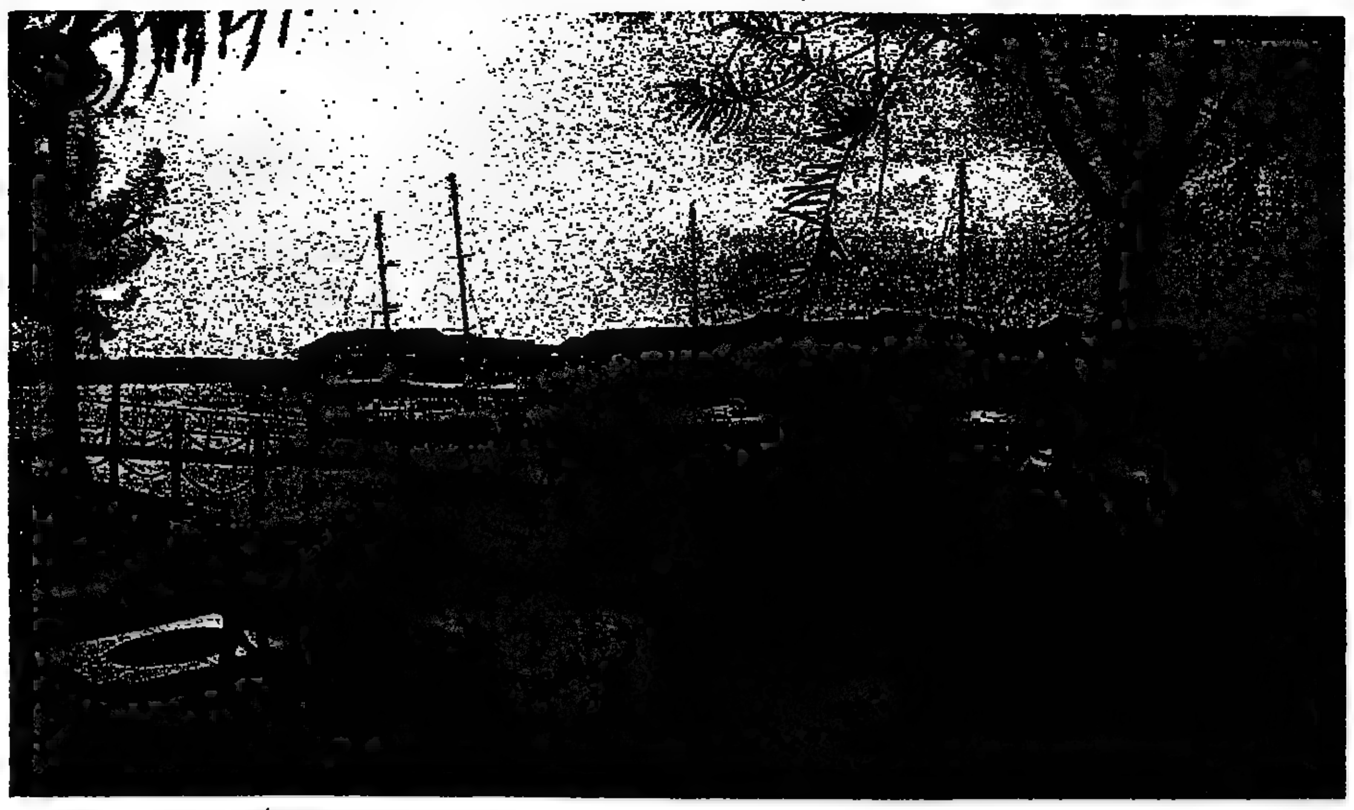
Mr Hartley Booth, the adviser to Mrs Thatcher who was its first chief executive, says it cannot afford to buy land and sit on it for long periods, especially if there is a risk of prices falling. This suggests that Bud was not equipped to exploit the present system in the first place because it is made up of contractors, all of them quoted companies working on tight margins. They cannot behave like entrepreneurial property developers.

On Teesside Bud wanted the government to guarantee £60m of public funds before it would commit itself to a scheme in the Middlesbrough docklands. The deal collapsed because Mr Hall said the UDC would do nothing unless Bud gave its guarantees first.

Meanwhile, there is plenty going on in all big cities. Greater Manchester, benefiting from two UDCs, still boasts a strong commercial property market. Mr Alastair Balls, chief executive of Tyne and Wear Development Corporation, can point to work starting on two new schemes last month and two more about to start this week.

Indeed, despite the government's passion for marketplace solutions, urban development seems to be becoming a reasonably effective mixture of interventionism and private capitalism in many areas.

The biggest defence of the strategy is that it is working where previous policies failed. Jobs and business confidence are returning downtown, so that most cities now have a better chance of fighting decline. Many would argue that this is what it is supposed to be about.



Salford Quays: the local council made sure the enterprise zone succeeded

Mike Ayres

IN THIS SURVEY

Editorial Production: *Roy Terry*

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Ian Hamilton Fazey meets the former minister whose policy changes went some way to transform Britain's townscapes

Heseltine has no regrets

LOOKING back, the architect of Britain's urban development policy in the Thatcher era would not have done anything differently. He is only sorry that there could be no short cuts to speed things up. It is because of the latter that he also believes that there is still a long way to go.

Mr Michael Heseltine became environment secretary in 1979 and immediately started to change the entire basis of urban development. The principles he developed have not changed since, although the mechanisms for putting them into practice have been refined (see the article below on this page).

Today, it is Mr Heseltine again who is making the running, wanting to change the nature of local government in Britain to give more power to cities to solve their own problems – provided they develop his tenets of urban development further.

So how did he change things?

He says: "What we perceived in 1979 was that because vast public expenditure programmes had been running in parallel with urban decline, simply making those programmes a little more generous did not address the fundamental issue of decline.

"Indeed, it might even have accelerated it by perpetuating old attitudes and old policies. You were just throwing money at the problem without thinking about the problem. We decided to reverse the thinking."

The basic idea was to invest rather than fund, to make cash work long-term, rather than putting it into urban development programmes that merely consumed it. The money went increasingly to clear dereliction, improve infrastructure and clean up the environment.

The theory was that this interventionism would make depressed, mainly inner city areas more competitive with both the suburbs and the countryside. In the latter case, pleasant market towns and government-backed new towns were winning inward investors from abroad and UK companies wanting to relocate.

If making the urban marketplace more attractive and competitive was what might have been expected from a believer in free markets, the second part of the policy was, in its day, revolutionary.

"We wanted to encourage the private sector to add its weight and momentum to the public programmes," Mr Heseltine says. "Every public pound had to work to achieve private pounds. Ratios were not laid down to begin with. We had no idea how successful it would be."

He would like to see elected mayors or chief executives – who can cut through the red tape – running cities, on the US model

Many in the private sector were suspicious, maintaining that urban industrial development was not their job. Mr Heseltine argued that involvement in economic regeneration was self-interest, not corporate philanthropy or altruism.

He also reasoned that if government cleared dereliction and assembled land, thus diminishing the downside risk in any project to reasonable commercial limits, investment should follow.

"Heseltine's inner city gamble" was how the FT assessed the approach in 1982 after he had outlined the policy in an interview in his Liverpool office, where he spent at least a day a week for more than a year after the Toxteth riots of the previous summer.

The riots had enormous significance, rocking the government and forcing the cabinet to pay much more attention to urban problems. Mr Heseltine was given considerable scope. He was criticised for spending too much time on Merseyside, but still defends what he did.

"I wanted to understand how these things worked, and to create models," he says. "I wanted to show my colleagues in government and the private sector what was possible. I very much saw the exercise as the basis from which a very considerable expansion of the programme could take place, stretching across the more deprived areas of the country.

"Having said all that, which was the easy thing, you then had to sit there and exercise huge patience in the face of enormous frustration while not much happened.

"Some things needed new laws. The timetable of legislation stretches over about two years and the planning and the designing and the negotiation phase is of the same order of magnitude. By early 1983 we had laid down the intellectual infrastructure, but there wasn't much on the ground. And looking back, I don't see any short cuts."

However, the policy did eventually work. A rule of thumb emerged that each public pound spent could realistically be expected to lever three or more from the private sector. The gamble has paid off.

But that does not mean that the urban problem has been solved, because patently it has not. The current downturn in land and property values has stalled many private sector plans. At the same time, Mr Heseltine himself is highly critical of some of the bureaucracy now involved, which submerges local councillors in committees and subjects every decision they make to over-detailed Whitehall scrutiny.

Apart from his long-standing and continuing call for an English development agency to mirror Scottish and Welsh counterparts, he also seems to have developed another role model – this time for local government – from his time as Merseyside's urban development supremo.

He would like to see elected mayors or chief executives running cities, on the US model. They would get money for basic services from government, but anything extra would have to be won, with more going to those who could deliver both popular support and the active participation of the private sector.

In other words, cities need leaders who can cut through red tape, in the way he himself did for 18 months on Merseyside in 1981-82. "Leadership is very important," he says.

Unfortunately, as he says himself, it takes 25 years to achieve such radical change in a democracy like Britain. Even if the process really did begin in 1979, it still means there is half a generation to go.

Michael Heseltine: city power plea

THE INITIATIVES THAT MAKE UP THE PROGRAMMES

A look at the complex mechanisms of targeted spending

"ACTION FOR CITIES" SPENDING (£m)	1988-89	1989-90	1990-91
Department of Environment			
Estate action	140	190	190
Housing associations	610	517	620
Housing investment programme			100
Derelict land reclamation	31	20	21
Urban programme	256	256	261
City grant	25	35	49
Homelessness			147
Urban Development Corporations	234	439	542
Task forces	16	19	23
Housing action trusts			42
Department of Trade & Industry			
Inner city business support	189	188	192
City action teams	7	6	8
Department of Employment			
Training	1,096	1,035	1,040
Home Office			
Commonwealth citizens	57	69	73
Safer cities	0+	3	7
Department of Transport			
Roads	190	220	300
Department of Education & Science			
City technical colleges	14	32	45
Scottish Office & Welsh Office	300	350	400
	3,165	3,381	4,069

Source: Department of Environment

IF URBAN development was ever a simple matter, it is so no longer. A complex series of special measures and funds have been introduced, added to and expanded over the last 10 years to try to target public spending and account for it better.

At the root of this are considerable tensions between the various agencies and bodies responsible. Indeed, the structure and regulations pertaining to urban development now are just as concerned with controlling policy and purse strings as solving urban problems.

It is actually quite difficult to find out how much was spent on encouraging urban development prior to 1988 and a complete answer has not been obtainable from Whitehall.

This is because global sums were allocated to various government departments, local authorities and initiatives. They competed with each other to keep up spending levels and what went into urban development was not necessarily accounted for separately from other spending.

Conservative and Labour governments in the 1970s put the problem in the hands of local authorities, forming inner city partnerships, chaired by ministers, to review progress. A central fund was available for emergencies.

The new Conservative government of 1979 adjudged this mechanism to have failed because it did not arrest urban decline.

However, it was not until after its first big urban emergency – the Toxteth and Brixton riots of 1981 and the copy-cat disturbances they spawned in other cities – that the meaning hit home of the government's refusal to go on "throwing money at the problem".

Targeted spending on specific projects started to emerge, and with it the mechanisms to keep track of where the money was going.

One experiment in control was through a new type of agency, the Merseyside Task Force. It was a significant departure in administrative practice because it breached the federal structure of Whitehall.

It included civil servants from the departments of the environment, trade and industry, and employment. Instead of each of them reporting to their own departments – in effect, into one of a series of parallel bureaucracies – a senior civil servant from the department of the environment was in overall charge.

The idea was to ensure that efforts were co-ordinated and spending optimised.

The need for this became even clearer as the 1980s progressed and as Labour gained stronger control of most of the urban local authorities with serious problems.

Local Labour councils often had their own ideas about urban development and these did not always match the government's, especially when they revolved round "municipal" solutions, such as building more council houses.

Many local authorities wanted money from central funds to spend in the ways they thought best. The government had different ideas and favoured much more interdependence with private sector developers.

After the 1987 general election, the government felt that its arm had been strengthened, and targeting was pursued even more vigorously, with two new generations urban development corporations and radical shifts in public housing policy.

The result is a plethora of funds and initiatives, as shown in the table. This is what they are:

Department of the Environment programmes:

■ Estate action provides funds to encourage council tenants to work together to manage the housing estates where their homes are, and improve them. The money also goes to capital spending on housing by local authorities.

■ Housing associations, which put control of new estates of rented property into the hands of the people who live there, are funded through housing corporations or supportive local authorities. The figures in the table for this year are provisional.

■ Housing investment programme (HIP): for the first time the inner city allocation in the overall HIP has this year been separated out to show where it is going. It was previously included in the lump sum for all council housing and not easily identifiable.

■ Derelict land reclamation: the mechanism was developed nearly 20 years ago by Mr Peter Walker, then environment secretary, for clearing pit-head spoil tips in the coalfields. Mr Michael Heseltine, who was in charge at environment during 1979-83, extended the mechanism to the inner cities to remove comparable blight. Examples have included clearing disused railway goods yards or the demolition of shutdown factories.

■ Urban programme: This is what is left of the 1970s approach. It is money given to local authorities for urban development and has declined in real terms – it was worth about £180m a year in 1979. Local councils bid for a share of the funds to spend on specific projects.

■ City grant: The descendant of the urban development grant (UDG), an idea borrowed from the US after the Toxteth and Brixton riots. It is similar to an urban programme grant but involves a private sector developer, rather than a local authority. UDGs had to be channelled through local authorities but the rules were changed to allow city grant applicants to bid directly to the government in the hope of speeding up the process.

■ Homelessness: This year for the first time, a special allocation of funds is being made to local authorities and housing associations to address the problem.

■ Urban development corporations: Opposed by senior civil servants, they were forced through by two determined environment secretaries. Mr Heseltine designated the first two in 1981 before the riots and Mr Nicholas Ridley came in with a policy reprise in 1986-87 to create a dozen more. Armed with powers of land assembly and planning consent, they enabled the government to channel money directly into urban development, bypassing local authorities, which lost planning powers in the designated areas. A full evaluation appears elsewhere in this survey.

■ Task forces: these have followed the Merseyside model (see above) in several cities. They co-ordinate and monitor the whole range of government initiatives.

■ Housing action trusts: descendants of another Heseltine initiative in the post-riots period. The original model was Cantril Farm, a notorious 1960s housing estate of tower blocks and terraces in Knowsley, Merseyside. The council sold it to a trust supported by the private sector. The change of ownership, coupled with local management and direct funding from government, helped arrest decline.

Department of Trade and Industry programmes:

■ Inner city business support includes regional selective assistance grants for businesses setting up or expanding in inner cities, as well as financial support for investment and innovation among them. English Estates' factory-building programme also comes from this budget, ensuring that good premises are available in areas where private sector developers are unlikely to risk speculative building.

■ City action teams are similar to task forces but more concerned with implementation than policymaking.

Department of Employment programmes:

■ Training. The main purpose is training for jobs that may materialise one day, but various programmes also ensure that some people at least can be temporarily kept off the unemployment register. However, money is also available to encourage inner city enterprise, including support for small firms and enterprise agencies. Other programmes aim to help long-term unemployed people back into work.

Home Office programmes:

■ Commonwealth citizens: special grants are available to local authorities to pay for staff who deal with the needs of Commonwealth citizens. It is in effect a way of channelling central government resources into racial problems in the inner cities.

■ Safer cities: an increasing budget has been created to address the problem of crime and reduce its effects on confidence and investment.

Department of Transport programmes:

■ Roads: The last three years have seen large increases in spending to improve the urban infrastructure and make inner cities more accessible.

Department of Education and Science:

■ City technology colleges: an attempt to concentrate educational resources in urban areas with skill shortages and match the colleges concerned with local industrial and commercial needs.

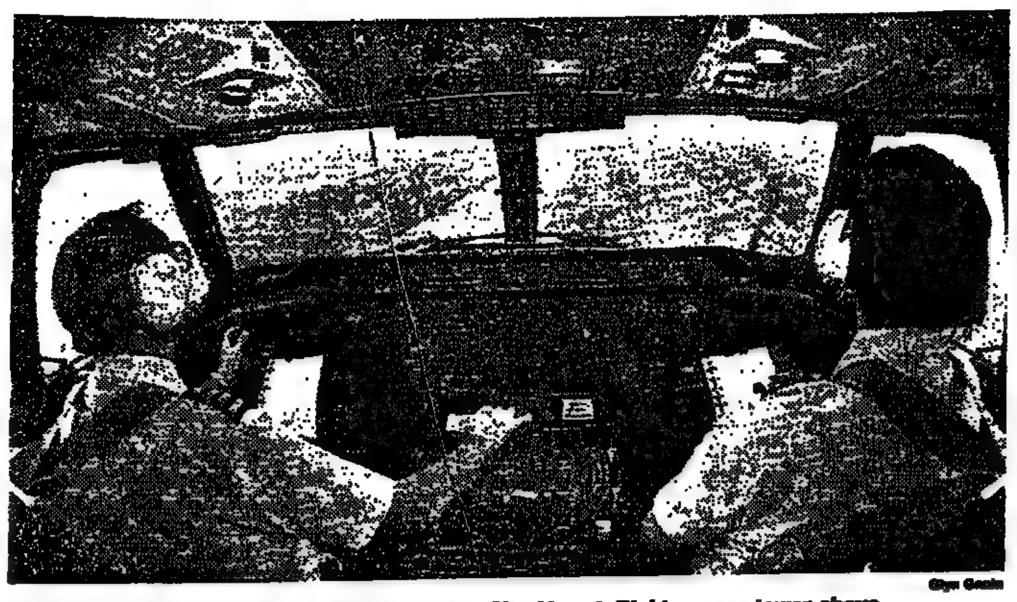
So six government departments each have at least one finger in English urban development. The situation is different in Scotland and Wales, where a single department – the Scottish Office or the Welsh Office respectively – is responsible.

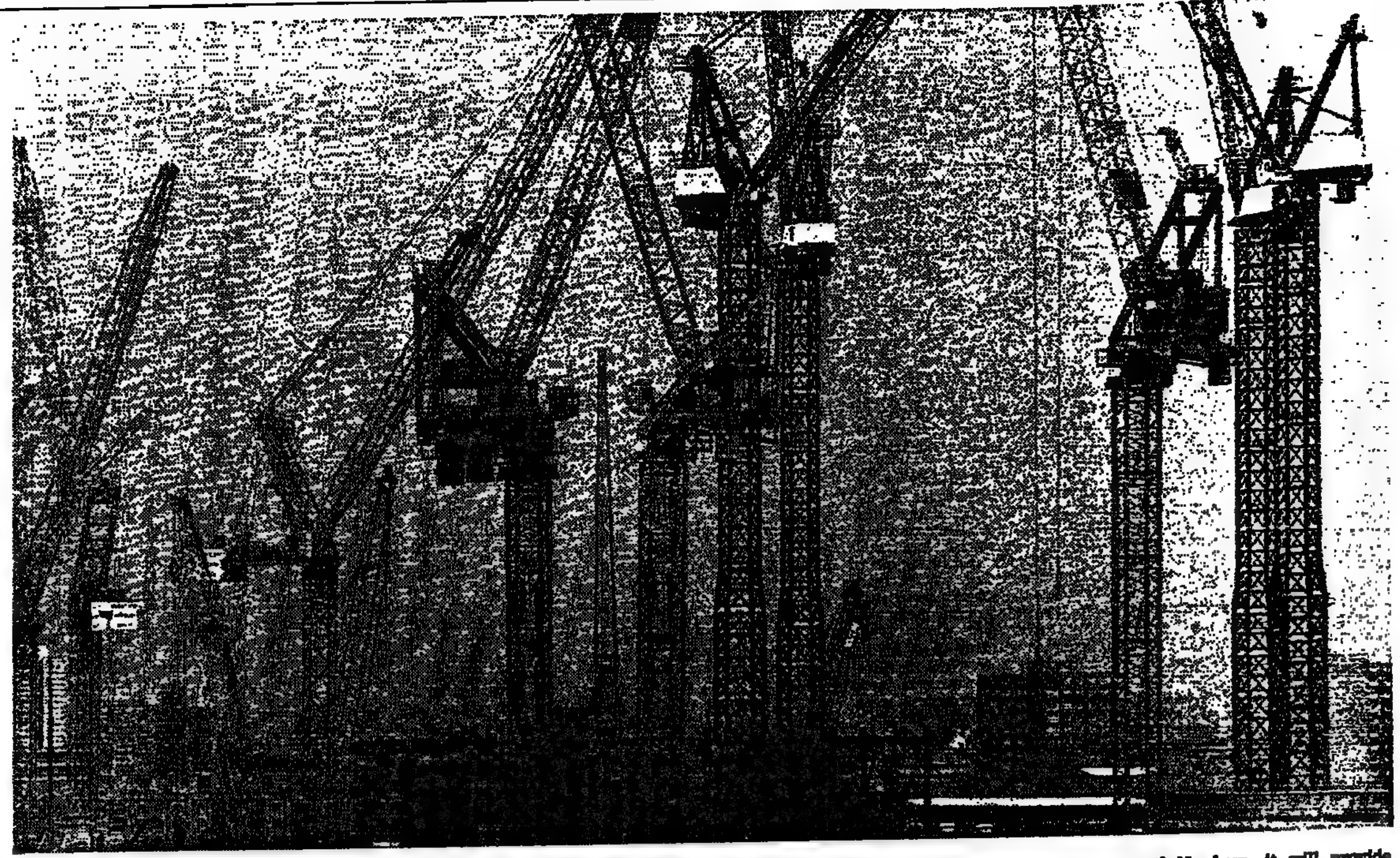
Significantly, Scotland and Wales, with about 10 per cent of UK urban population, get a pro rata share of the total national budget. This suggests that overall apportionment may well have more to do with slicing the cake up evenly than targeting strictly on need, although targeting is almost certainly more effective than ever before.

Ian Hamilton Fazey

Stewart Dalby tours the development sites in London Docklands

A successful experiment





Glyn Genin

Above: an aircraft coming in to land at London City Airport. Right: cranes tower above the many building sites in the Docklands area

LONDON Docklands was one of the first two urban development corporations set up by Mr Michael Heseltine when he was Secretary of State for the Environment in 1981. Its success in terms of the private sector capital it has generated was one reason for the establishment of other UDCs.

It has, however, been one of the more controversial corporations and has been accused of allowing a hotch-potch of architectural styles.

Members of Parliament have voiced concern over the lack of accountability in its use of public money, although this is an inherent feature of the development corporation system.

It invests non-elected statutory bodies with planning powers, vesting rights (the right to buy public land at current use costs) and compulsory purchase powers. The corporations are funded primarily by Government grant.

When the docklands corporation was set up local authorities resented their loss of planning powers to a non-elected quango and for a time the councils in Newham, Southwark and Tower Hamlets refused to co-operate with it.

However, the corporation's emphasis on property development highlighted the weak infrastructure, its poor roads and communications of the areas under the councils' control.

New property, it seemed until recently, was being built at the expense of a more comprehensive economic and social regeneration.

Although there was much dereliction when the corporation started, there was also a local population of 39,000, consisting mostly of tightly-knit communities.

The London Docklands Urban Area covers 8.5 square miles or 5,500 acres along the River Thames close to the City of London.

The reasoning of Mr Heseltine at the time was that the area had been in decline for 20 years.

Rather than encourage industry and people to move out to rural green belt land, he proposed reviving the old docklands.

They comprise four areas: Wapping and Limehouse, the Surrey Docks, the Isle of Dogs and the Royal Docks.

Wapping, which was developed first, contains high-density city-type residences, some commercial and industrial developments and a number of attractive old warehouses which could be turned into attractive dwellings. It was Wapping which gave Docklands its yuppy image.

Surrey Docks has developed along more suburban lines with lower density housing and mixed shopping and leisure projects.

The Isle of Dogs is the commercial heart of docklands. It contains an enterprise zone which offers capital allowances and rates concessions to developers. The Docklands promoters envisage it as an alternative City of London, or at least an adjunct to the City of London.

The massive Olympia and York's Canary Wharf project, at a projected cost of £4bn, accounts for almost half total private sector investment in Docklands.

The Royal Docks, in which London's City airport is situated, is still largely undeveloped. The promoters say the Royal has scope for imaginative schemes on a grand scale. In addition to some housing developments and a shopping centre there are plans for big complexes including offices, shops, hotels and a sports and exhibition centre.

So far some 1,500 acres, including an area of water, have been developed and the corporation is looking at a further 600 acres in the Royal Docks.

Some 35m sq ft of commercial and office space has been created or is under construction, a potential for 60m sq ft by the year 2001. Some 17,000 housing units have been started and there is a potential for 20,000 more throughout London Docklands.

By the end of the century there could be 115,000 people living in Docklands, as many as in the city of Oxford, and 200,000 working there.

Some £803m of Government grant money has been spent. It has generated an additional £8.1bn from the private sector, the best ratio between public and private sector spending achieved by any Development Corporation.

The forecast of 115,000 docklands inhabitants by the year 2001 is 5,000 less than an earlier estimate, reflecting a belief that the recent frenetic development pace may not be maintained.

The slowing of the economy will make it harder to sell large numbers of new offices and factories and discourage new commercial property building.

The charge of neglecting infrastructure in favour of speculative building has caused the corporation to call a halt.

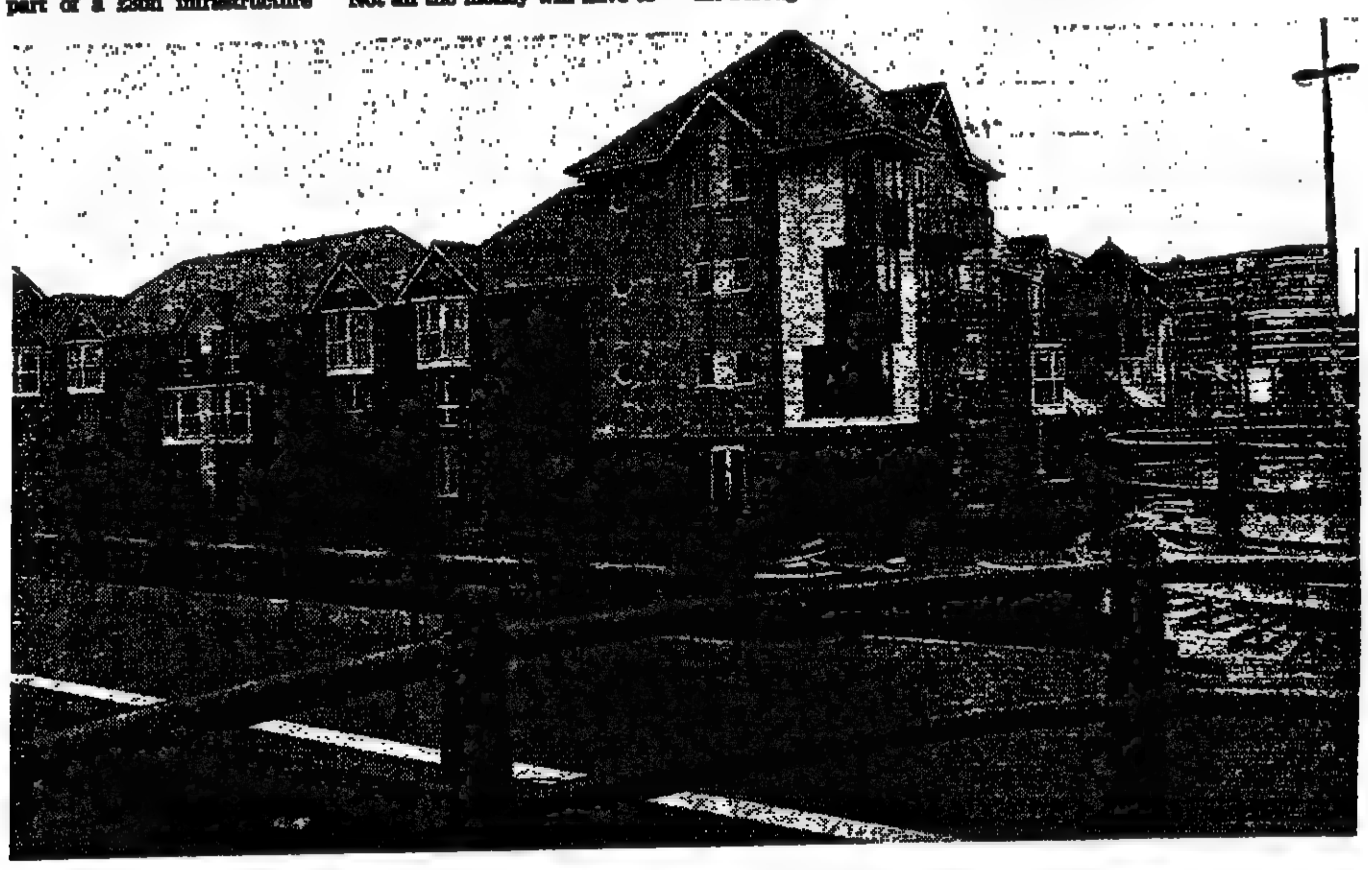
Defenders of the "property first" approach say that Docklands was very much a first experiment in inner city regeneration. Had infrastructure work been put first, as in other countries, this work would have taken many years with no guarantee that the private sector would follow. Moreover, the Government was in a hurry to see something done.

In the Royal docks, however, the roads have gone in first as part of a £3bn infrastructure package. It allows for more roads in all four docks, an extension of the docklands light railway and an extension of the Jubilee line on the underground.

Some of the £3bn has already been spent on the first phase of the light railway and roads. Not all the money will have to be found by the corporation. The Department of Transport will foot some of the bill and substantial private contributions are also being sought.

The corporation is now also adopting a more sensitive approach to the local authorities. Under agreements with the boroughs of Tower Hamlets and Newham, it will provide work for local people. It has also agreed to give Tower Hamlet substantial sums from its own grant for social and community projects.

As a result, local councillors are now happier than they were when the corporation was launched.



New housing by the side of the canal in Salford Quays: executives have bought second homes on the waterfront

Martin Regan investigates Manchester's Salford Quays

Miraculous transformation

TO THE tenant of Salford Ordsall Estate the remarkable revival of nearby Salford Quays could easily be regarded as rubbing salt into an already festering wound.

The contrast between the neglected housing stock on one side of Trafford Road and the pristine offices on the other could not be greater.

Town houses and penthouse apartments on the Quays, some now changing hands at more than £100,000 – depending on berthing facilities – are more discreetly set back from the road.

Curiously, Ordsall residents express nothing but pride in the developments that have taken place over the past five years.

The BMWs and Jaguars which now dominate the rush-hour traffic are viewed with ambivalence; seen as tokens of the Thatcher culture and as symbols of the job creation the area desperately needs.

Tony Struthers, deputy chief executive of Salford City Council, has little doubt that Salford Quays ought to be a matter for civic pride.

"It has made a tremendous difference to the city's image and I think the people in the city are immensely proud of that," he says.

Greater Manchester's most successful example of urban regeneration has been achieved not by a development corporation, but by a Labour council which has learned to play by the private sector's rules.

In 1985, the council commissioned architects Shepherd Epstein & Hunter to create a development strategy for the 158 quays; part of which fell within the much larger Salford Enterprise Zone.

Struthers recalls that the DoE gave a clear indication that private sector interest was necessary if public funds were to be released.

Hopes were not high. Three years earlier, a consultant acting for a hotel chain had dismissed the area as unsuitable for development.

However, local entrepreneur Edward Hagen cobbled together a development package for the 166-bed Copthorne Hotel. The development encouraged others in the leisure sector. Near the hotel there is now a multiplex cinema, a Toby restaurant, a waterside cafe, and a marina.

The master plan has allowed development to progress with few of the infrastructural problems associated with London Docklands – roads have been built before offices.

BMWs and Jaguars are seen as symbols of the job creation the area needs

It has also provided the private sector with the means to judge the type of development best suited to the scheme.

Private sector confidence has not been easily won. By the end of 1988, public investment of £22m, mainly derelict land and urban programme land, had unlocked private investment of around £65m.

By the end of this year, public investment will have risen to around £28m while private investment is likely to be more than £375m; an exceptional leverage ratio.

The success of early office buildings and a wider confidence in the northern property market led to a remarkable upsurge in developer interest.

In 1987, 43,500 square feet of offices were completed, expanding to almost 300,000 square feet by the end of 1989. Present projects in an around the quays will bring 1.8m square feet to the market over the next three years. For the first time oversupply has become part of the vocabulary.

Peter Gallagher of Dunlop Heywood, the first chartered surveyors to move within Salford Quays, admits that the scale of new development, most being pushed forward to gather the financial benefits of an enterprise zone reaching the end of its life, does carry risk. "It is a different ball game from what we have seen before. Having said this, the inquiries we are handling lead me to believe the area will succeed as a corporate location."

The largest projects are the Manchester Ship Company's £100m harbour city development and Amecs Properties' Anchorage project. This latter scheme, representing a £46m investment, seems likely to be the first to test the market.

Amec's regional director, Keith Bolton, is sanguine about prospects for the 240,000 sq ft development, an attitude reinforced by the early sale of part of it to the Laser Richmount Trust for £15m.

The Manchester Ship Canal Company has also attracted other investors. BAA recently signed a deal to build a hotel within the 500,000 sq ft harbour city complex.

Both these schemes will need to compete with projects planned within walking distance of the quays. The most notable is Chartered Development's Exchange Quay, a £120m office village on the banks of the river Irwell.

This project, which is within the boundaries of the Trafford Park Development Corporation, is being funded by the Sanwa Bank. Two of the eight office blocks have already been bought by the Property Enterprise Trust for around £52m while a further £20m has been invested by others.

Whether these investors have allowed themselves to be swayed by optimistic agents remains to be seen. There are indications that the type of company attracted to the quays is not the type of company which takes large corporate office space.

More than half of the businesses on the quays are involved in computing, telecommunications or consultancy. Around 75 per cent have taken offices smaller than 10,000 square feet.

Occupiers include A G Software, of West Germany, Doctus, March Consultants, Compaq Computing which relocated from Surrey, Cognos of Canada and Midland Bank.

The human scale of the quays has been one of its fundamental strengths. Occupiers refer constantly to the feeling of community and many executives have bought second homes on the waterfront.

However, this feeling is changing. Two thousand people work in Salford Quays; by 1992 there will be 7,000.

Brian Blake, chairman of Doctus, is concerned that the strategic vision which has so far characterised development is beginning to fall apart.

A new retail development fronting Trafford Road will completely overlook his company's offices and, he says, there are growing traffic problems as the quays expand.

These complaints aside, the redevelopment at Salford Quays, to those who can remember conditions in 1984, has been miraculous.

Salford Quays has attracted visitors from throughout the world yet it has been the government rather than the city council that has gained the most political mileage.

Council officers tell of their delight when the recent Environment White Paper used photographs of the quays to illustrate certain points. The delight quickly disappeared when they read the picture captions; credit was given to the Salford Quays Development Corporation.

Martin Regan looks at the Albert Dock, a symbol of Merseyside's regeneration

Waterfront tourist trap in Liverpool

The Albert Dock (above and right) attracted more than 5m visitors last year, 2m of whom came from outside Merseyside

FOR A place which does not yet make a profit, Liverpool's Albert Dock appears remarkably busy. The 100-unit centre looks somewhat finance-oriented, but even on an overcast weekday there is a constant flow of visitors.

The £3.5m Tate Gallery, a splendid Richard Rogers refurbishment, is the natural focus of visitor attention. But it also boasts the Merseyside Maritime Museum and the Beatles Experience, "a must for Fab Four fans".

The Albert Dock, at the head of the South Dock, has become a symbol of Merseyside's regeneration.

The largest group of listed buildings in the UK, it attracted last year more than 5m visitors, of whom 2m came from outside Merseyside.

Its income may not be as much as the £150m that has been claimed, but in marketing terms it represents perhaps the best chance for Liverpool to transform its appalling public image.

The scheme has so far cost £79m of which £44m has come from the public sector. Arrowcroft, the developer, has not yet earned a return on its investment and the Albert Dock Company, which runs the complex, is still losing money.

Raymond Guy-Jobson, the dock company's managing director, claims that he is not unduly *concerned. He says,* "We have always made clear that we saw the Albert Dock as a long term proposition. We are very happy indeed with the way things are going."

The Merseyside Development Corporation is probably even happier. It has not only conjured a major tourism centre into existence. It also takes half its rent as part of the original development agreement.

The Albert Dock and, to a lesser extent, Barratt Urban Renewal's £10m refurbishment of Wapping Warehouse have been two of the corporation's most notable achievements since it was established in 1981. Both are on South Dock, the major centre for investment on Liverpool waterfront.

The MDC has spent £220m of public money and attracted direct private investment of around £85m. The ratio seems poor and provides ammunition for some of its fiercest critics, led by economist Patrick Minford, a former board member.

However, £120m of this public spend has been on reclamation and refurbishment.

The debate is between those who feel that the corporation should act simply as a pump primer, leaving the market to decide what is and what is not possible, and those who see it as an enabling organisation conducting its own strategy.

Its income may not be as much as the £150m that has been claimed, but in marketing terms it represents the best chance for Liverpool *to transform its appalling image*

Without Enterprise Zone status the first option was probably unfeasible. The corporation therefore adopted a policy of creating the environment necessary to attract private investment.

Mr Phillip Carter, the corporation chairman, has a photograph on his office wall showing the Albert Dock before reclamation. Apart from the structural problems in the building, the dock basin contained more than 20 feet of silt. Critics are invited to explain who in the private sector *would have been prepared to* take on such a site.

The attempt to change market conditions is most notable on another South Dock scheme, the Brunswick Business Park. Here, almost 1m sq ft of business space has been refurbished or built by the corporation entirely out of public funds. Carter points out that during the mid-1980s industrial rents on the site were 15p a sq ft. The idea that a speculative developer would have been interested in a project at Brunswick, he says, is absurd.

The corporation's decision to spend public money there is justified not by the arrival of more than 100 companies a total of 1,500 people but by the park's effect on local property values.

Rentals of £4 per sq ft have *regenerated the Liverpool* industrial market. Together with Wavertree Technology Park it has provided investors with the only evidence that commercial property speculation in Merseyside is viable.

On the South Docks, the "Brunswick effect" has been even more remarkable. Peter Hynd, a *local* developer, is building a £20m office scheme at Columbus Quay, having previously built his own headquarters nearby.

The project, Liverpool's first private speculative office scheme for a decade, is highly *significant; perhaps even more* than the recent announcement that Customs and Excise is to relocate its VAT office to the nearby Queens Dock and create 400 jobs.

At Coburg Quay, the Marina Wharf company has started the second phase of a scheme to build waterside houses for rent. The scheme, partially funded through the Business Enterprise Scheme, follows a successful first phase of 25 units.

The supply-led strategy is now beginning to generate demand. On the South Docks, *Richard Rogers* has been brought in by Arrowcroft to design the concept for a multiplex cinema development, and a local contractor has signed a *deal to build 400 apartments at* East Brunswick Quays.

Private sector investment is now rising significantly. Last year, private investment rose to £37m on public investment of £26m. It is the first time the leverage has not been negative.

WAVERTREE TECHNOLOGY PARK

Built on the right side of the tracks

AT FIRST glance Liverpool's Wavertree Technology Park does not seem anything like *the success its marketing* agents would have us believe. For example, its figures for private sector investment are not impressive compared with vir*tually every other significant* urban development project.

Since 1982, £7m of derelict land grant and £10m spent by the public sector developer, English Estates, have unlocked just over £4m of private investment – much of that from companies taking up freehold options on existing buildings.

However, as with everything on Merseyside, first impressions can wrongly suggest that Wavertree is an unsuccessful example of urban regeneration.

The obsession with leverage ratios is only valid in those areas where speculative development is a common currency. On Merseyside, rock bottom commercial rents and the unwillingness of institutions to pick up the resultant investment has meant developers are *unwilling to meet the demand* for business space.

Against this background, the achievement in creating Liverpool's first A1 office park and attracting companies *such as* Powell & Scholefield, Thorn and Hoskyns, becomes more obvious.

The fact that Wavertree has needed to compete *against* the more established business parks of Warrington, just 20 minutes down the M62, makes the achievement all the more remarkable.

In *essence*, Wavertree Technology Park has been one of the few examples of the city council and Mrs Thatcher's Government sitting down to address the specific problems of Liverpool in a specific way.

The idea was to create an environment that would encourage the start-up and expansion of much needed high-technology companies. The method was to target public sector finance, which would have been used anyway, in a more precise way.

Private sector participation from *Plessey* was the key to unlocking the deal, providing the impression if not the reality of a broadly based initiative. Once early progress had been made the company took a back seat, before finally withdrawing.

Rob Dennett of English Estates *says* Plessey's role was absolutely critical. "It was not only helping to set the whole thing in motion, but the first tenant on the park was Plessey Crypto and that brought 250 jobs," he said.

Wavertree Technology Park has been built on the 64 acres *site of the former Edgehill rail*way marshalling yard. Its location, a few minutes from the end of the M62, and its large size were vital to its prospects of success. *Other attempts to* create business parks in Liverpool had been either too small or in poor locations.

The park was developed by a limited company formed by Plessey, the Merseyside county council, English Estates and Liverpool city council. Today, the equity of the company is owned jointly by these last two.

The park's success was not immediate, but the package on offer to prospective tenants, albeit at rents slightly higher *than the city norm,* did prove attractive.

Wavertree's location, a few minutes from the end of the M62, and its large size were vital to its prospects of success

Estate Management was integral to this package. The park company has ensured restaurant *facilities*, a *fast food* outlet, a bank and a health centre.

The provision of 24-hour security, including video surveillance, is another attraction. There is even a newspaper marketing park companies to potential clients.

Gardner Systems, a computer systems house, was one of the first companies on the park: seduced out of a nursery unit in Liverpool city centre by *the promise of a heavily-land*scaped, low-density development.

The company arrived with a staff of four which has since expanded to 15. A planned £650,000 investment in new headquarters will bring a further 20 jobs. This investment is *the first private development* on the park.

Gardner chief executive Frank Coward says he considered moving to Warrington, but the attractions of Wavertree were difficult to match.

"The park has achieved a strong image of technology innovation. It isn't simply a run-of-the-mill business park," he says. "The park has achieved its own inertia, there *is nothing like it in Mersey*side."

Other companies, such as Barclays Merchant Services, which arrived in 1988, have also announced expansion programmes. The company is to centralise its Barclaycard operations, shedding staff at Northampton and creating 200 new jobs at Wavertree. This is a reversal of the usual trend of shutting down Merseyside operations.

Valio, the Finnish food conglomerate which recently acquired a controlling interest in Powell & Scholefield, has made it clear that Wavertree will act as its base for expansion into Europe.

There are now 38 companies based on the park, employing 1,500 people. The original site is virtually full and a second phase of 28 acres is now under way.

The Government is supporting this phase with a further £8m of *grant aid*, mainly for land reclamation and landscaping. The park company estimates that the 300,000 square feet of new space will create a *further* 1,500 jobs.

Liverpool city planner Michael Hayes, who sits on the park's management board, accepts that by the standards *of other* urban *initiatives the* scale of private sector finance that has flowed into Wavertree is not great.

However, he argues that overcoming initial private sector resistance to the idea of Liverpool as a base for sunrise industries was always going to be a costly exercise. He sees the Gardner investment as the first of many.

"In areas like Merseyside, employment and enterprise are *supply-led. You have to set out* your stall and only when people see what you've got to offer will they become interested," he said.

"We've tried hard to achieve integrity on the park, to the point that we have actually turned people away. Rents are *now at a reasonable level and I* think the conditions are right for more private investment."

Martin Regan

URBAN DEVELOPMENT 6

Stewart Dalby travels the length and breadth of the country to investigate the 11 development corporations in England and Wales

Heseltine's vision of land regeneration takes shape

THE London Docklands and Merseyside corporations were the first of the 11 bodies set up to regenerate the country's major cities. They were established by Mr Michael Heseltine in 1981 when he was Secretary of State for the Environment. He reasoned that there were large areas of dereliction in many British cities which could be rejuvenated for housing, offices and industrial use. This would prevent more people moving into the countryside and ease pressure on the green belts.

The new towns were being wound up about the same time as the UDCs were created

One problem was that much of the land had been idle and decaying for a long time,in many cases for 15 to 20 years. The land itself often had a negative value. Developers would not touch it because of the "abnormal" or high costs of development. Much inner city land was formerly used for industrial purposes and either there was subsidence or deposits of concrete or chemicals made it expensive to reclaim. Dockland usually had poor access.

On paper, it was the responsibility of the local authorities to develop it. The cutbacks on local government spending taken together with the extensive responsibilities they already had (housing, education, the environment and, in some cases, health), meant few local authorities had the wherewithal to revive derelict areas.

Mr Heseltine decided to set up statutory bodies to focus on regeneration, with powers of planning permission, vesting rights (the right to buy public land at current use prices) and compulsory purchase. These are all very important in land assembly and development. Although the development corporations would be funded primarily by government grants, sales of improved land and planning fees as the corporations became successful would swell the coffers.

Unlike the new town corporations, the UDCs would not be charged with actually building new towns. Instead they were to use their funds to prime the pump and make it attractive for the private sector to reconstruct the inner cities. This had the advantage not only of keeping government spending relatively low, but also of falling in line with the Thatcher philosophy of letting the private sector do the job.

The new towns were being wound up at about the same time as the UDCs were being established. Although it is not strictly a question of robbing Peter to pay Paul, by the mid-1990s the £2bn which should be realised from the sale of new town assets, should roughly equal the amount pumped into the UDCs.

Of course, the leitmotif for setting up the UDCs was that the local authorities did not have the wherewithal to revive the inner cities, nor, in some instances, did they have the political will.

Many of the local authorities in the main cities are controlled by the Labour Party. Although it was never publicly stated that one reason for the exercise was to emasculate the Labour councils, some of them certainly saw it that way. The three councils in the Docklands area – Newham, Southwark and Tower Hamlets – at first resented the loss of their powers to a government-controlled quango and refused to co-operate.

One person who would not have shed any tears at the curbing of local government powers was Mr Nicholas Ridley, a successor to Mr Heseltine at the DoE. If anything, he was less interventionist than Mr Heseltine. When he saw how well Docklands was going he asked for more UDCs. Five more were set up in 1987 – the Black Country (extended in area in 1988), Teesside, Trafford park, Tyne and Wear, Cardiff Bay. A third generation of so-called mini-UDCs were established in 1988/89 – Bristol, Central Manchester, Leeds and Sheffield. These were to have a life time of five- to seven-year life. The first and second generation UDCs were expected to have a life span of between 10 and 15 years. The thinking behind this was that the government did not want the corporations continuing to spend public funds any longer than necessary.

Some corporations were opposed by politicians at local and national level

As with Docklands and Liverpool, some of the new UDCs were opposed by politicians at local and national level. Bristol City Council fought the establishment of a UDC all the way to the House of Lords. They managed to delay it but were ultimately unsuccessful. Mr John Smith and Mr John Cunningham, the Labour Party's shadow chancellor and shadow environment secretary respectively, attacked the UDCs as "centralist" and "undemocratic".

Many local authorities have now begun to co-operate with the UDCs because they have seen the achievements and they have realised that the management of enhanced assets might one day be returned to them. In some areas, local councillors sit on the boards of UDCs with prominent local business people.

Eighteen months ago a comparison of the first two urban development corporations would have shown that London Docklands was, at that time, a rip-roaring success, while Merseyside was a bit of a failure.

In London Docklands billions of pounds of private investment in physical development had been generated by a comparatively modest outlay of public funds. A ratio of £12.50 of private investment to every £1 of government money had been achieved.

In Merseyside, by contrast, the development corporation after seven years of its notional 10-year life had spent £170m on assembling and reclaiming land and improving the infrastructure, but had managed to lever out only around £30m of investment from the private sector.

Today, while Docklands still has a private-to-public investment ratio of 10 to one, there is the distinct feeling that having put the cart of speculative building before the horse of infrastructure, the development corporation, the Department of Transport and, indeed, private developers are going to have to spend billions catching up by building roads, extending the docklands light railway and the Jubilee line on the underground.

The high interest rates and the slackening demand for office space and residential properties of the past year have lead to fears of developer failures. The possibility of a tailing off in investment portends an embarrassing oversupply of office and industrial space hanging over the market for years to come.

It is not that the 35m sq ft of commercial/industrial space either built or under construction will not be let or sold. It probably will be eventually, albeit at £20 per sq ft, around half the price that offices fetch a few miles down the road in the City of London.

A question mark will hang over when rather than if the 25.7m sq ft of potential further office and industrial space will be built.

Moreover, the relocation in the past two years of 500 families to enable the building of the Limehouse road link was carried out initially to everyone's satisfaction. However, it appears to have revived the original anxieties that with its "development-at-all-costs" philosophy the Docklands Corporation rides roughshod over the wishes of the population by causing an unacceptable level of social dislocation.

In some areas, local councillors sit on the boards together with business people

Docklands has suffered – largely unjustifiably – from an image of yuppies and City whizzkids moving into high-priced housing which the locals cannot afford and breaking up the existing communities.

In short, Docklands' recent history has raised questions whether the urban development corporations are about the physical redevelopment or the broader issues of enhancing the environment for local residents and commuters.

Merseyside is looking much healthier. The Corporation has spent around £200m but it has now generated £180m. A 1:1 ratio of public to private spending should soon be reached. The showpiece Albert Dock development, with more than 4m visitors in the past year, has reportedly become the second largest attraction in the country. Badly needed jobs have been created.

On the surface, therefore, it seems like a case of the hare of market forces in Docklands being overtaken by the tortoise of planning in Merseyside.

However, comparisons either 18 months ago or now have only limited validity. In one way, they may emphasise the contrasting methods of UDC executives and focus attention on the debate between redevelopment and regeneration in the fuller community sense.

But the prime point is that the differences between the 11 UDCs are so much greater than the similarities that drawing a line through them and finding a model for urban regeneration is almost impossible.

Rather, an audit should be attempted on the basis of a case-by-case study.

Part of the problem in evaluating the UDCs is that the enabling legislation for them is not very elaborate. It says the UDCs are "to regenerate" urban areas designated to them. To this end they have powers to acquire, reclaim, service and dispose of land. The DoE and various ministers also recognise that besides bringing land and buildings into effective use, the UDCs should encourage the development of existing new industry and commerce, create an attractive environment and ensure that housing and social facilities are available to people living and working in the area.

The UDCs can, if they wish, help with the provision of health, education, training and community facilities.

In spite of all this, the UDCS have a broad remit. The chief executives have varying objectives within the general rubric of "regenerate". They often have different methods. Some use their city grants to persuade individual developers to undertake a project. Others prefer a promise that infrastructural improvements will be made if a "this" or "that" building is put up.

All the UDCs have, in theory, money up front to bring about development; apart from this the differences are wide. They have different ages, they have different shapes, they are different sizes, the territories they control are not always contiguous and have varying degrees of dereliction and they have widely differing economic circumstances.

At one end of the spectrum is the Central Manchester Development Corporation. With less than 500 acres under its remit it is not only the smallest, it is unusual in that it is set in the heart of an otherwise flourishing city. The area surrounds the Rochdale canal, and has 60 listed buildings including some rundown warehouses. But it does not have a huge infrastructural job on its hands. There are no former docks, or railway shunting yards or contaminated former steel plants.

The differences between the 11 are so much greater than the similarities

By contrast, Tyne and Wear with its former shipyards and railway yards is more like Docklands and Merseyside. The Tyne and Wear boundaries are tightly drawn along the two rivers, but there is almost complete dereliction, and very poor access.

The Teesside Development Corporation controls the largest area, 12,000 acres, with fewer than 1,000 residents. Trafford Park in Manchester has virtually no people at all, although more than 25,000 work there. There, the task is the renovation of an old industrial estate. Docklands had a population of 39,000 when the development corporation was set up. The Black Country Development Corporation has 35,000 living within its boundaries and 75,000 working there.

Differences of attitude are also important. Mr Duncan Hall, the chief executive of the Teesside Development Corporation, says the UDCS are about creating jobs. Only when people have work can you begin to consider improving the quality of their lives with leisure facilities. Mr Alastair Balls at Tyne and Wear has a broadly similar approach. He feels the starting point for his UDC is to try and diversify Tyneside's economic base so he has started by building business parks to attract new industries to the area.

Creating new jobs is hardly a problem for Trafford Park or Central Manchester. Nor is it an important consideration for Bristol where there is virtually full employment.

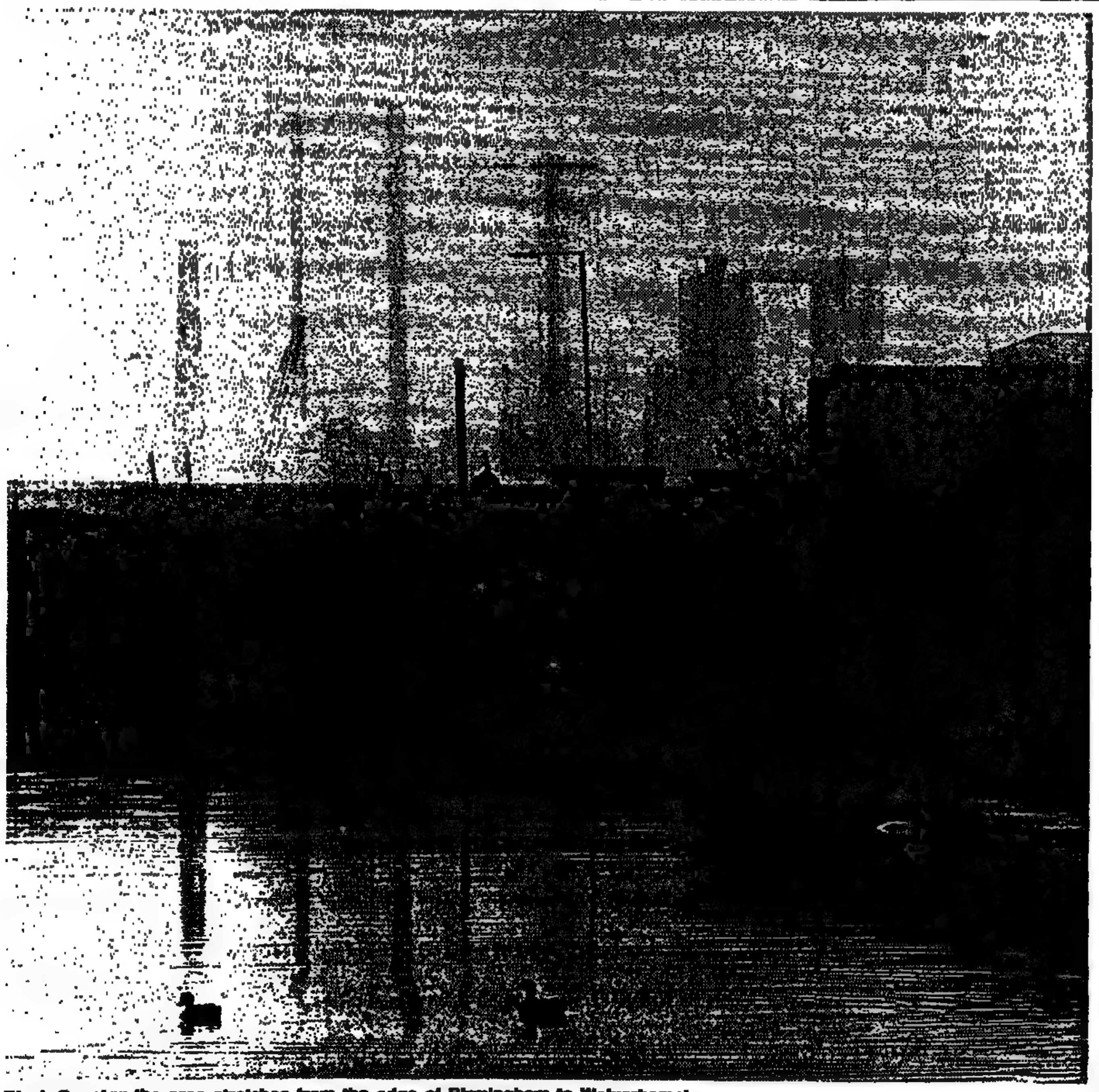
One of the few things that the UDCs have in common is their method of funding. Each is given an amount of government grant agreed under a corporate plan which is submitted to the Department of Environment. (The Cardiff Bay Corporation, uniquely, falls under the Welsh Office and does not have planning permission.)

The UDCs are then expected to lever out of the private sector proportionately greater sums than they plan to lay out. The first two development corporations did not have specific targets because they were regarded as experiments. However, for the second and third generation UDCs, consultants were called in and drew up ball park figures both for how much it would cost the corporations to do their jobs but also the multiples of private investment they are expected to generate.

With the exceptions of Bristol, Cardiff Bay and Merseyside, the corporations all appear to have generated more private sector investment than they have spent on improving the infrastructure, buying land and brightening up the environment, although one can quibble about how much of the sums talked about have actually been invested, how much is committed for the future and how much is potential.

On a case by case study the figures look as follows:

How the big cities in the UK are reversing the decline and coping with the need to rejuvenate their inner areas



Black Country: the area stretches from the edge of Birmingham to Wolverhampton

Central Manchester

SMALLEST development area, with 478 acres, it surrounds the Rochdale Canal and contains of delapidated old cotton warehouses.

It was set up with a notional budget of £55m–£60m for its five- to seven-year lifespan. Private investors were expected to put up £180m. The corporation has told the Department of Environment that with £70m spent it could easily generate £500m of private money. It has spent around £30m. Mr John Glester, chief executive, says that although Manchester's demand for office space is slackening he believes demand still stands at 300,000 sq ft a year. So far there has been some £200m worth of private investment.

Leeds

ITS initial fund was cut from £40m to £30m, some 30 per cent in the form of city grants. This is a new packaging for the old urban aid and reclamation grants available for developers. The corporation then went back to the Department of Environment to ask for £60m because the cost of land had risen sharply and infrastructure costs would be higher than anticipated.

So far £15m has been spent. There is a wide range of potential projects, including offices close to the city centre. The Hunslett industrial area needs reviving and the Kirkstall estate, an area of dereliction, has been earmarked for a research park.

Mr Martin Eagland, chief executive, says he does not know how much has been invested but that some 800,000 sq ft of office and industrial space has been committed. The original hope of securing some £2.5bn of private investment has now been downgraded to £1bn.

Bird's-eye view of Trafford Park and Salford Quays, the former Manchester docklands

Ron Norman, chairman Teesside DC

Teesside

TEESSIDE is physically the largest of the UDCs with 12,000 acres. However, much of this is empty marshland and there are hopes of developing a large nature park. Fewer than 1,000 people live in the area.

Mr Duncan Hall has concentrated on attracting new companies into the region, which has been dominated by three big industries – steel, chemicals and shipbuilding – and which has high unemployment.

In the three years of its existence, Mr Hall claims 69 companies have been drawn in with the potential to create 8,500 jobs.

He says he has definite commitments of £1.5bn of private sector investment, although the time-scale of this investment is not clear. The Teesside Development Corporation was given a budget of £160m, of which some £80m has been spent.

Philip Carter, chairman Merseyside UDC

Merseyside

ATTRACTED investment worth some £180m for an outlay of £200m. It dislikes comparisons with London Docklands since Docklands keeps its enterprise zone status until 1992 and the capital allowances and rate concessions to attract developers. It is also close to the City at a time when financial deregulation has meant a premium on office space.

Merseyside has suffered from Liverpool's poor image as a hotbed of political left-wing extremism with a difficult workforce. This has frightened off investors.

The docks were almost completely derelict. Nevertheless the Development Corporation feels the corner has been turned and that a 1:1 ratio of public to private sector investment will soon be achieved. Ultimately it hopes for for £1bn in its area which has been expanded from 800 acres to 2,400 acres.

David Hardy, chairman London Docklands DC

Docklands

BY March, 1990, the London Docklands Development Corporation estimated that £8.1bn of private sector investment had been committed to the Urban Development Area. A cumulative Government grant of £803m was also received, giving a ratio of 10:1 between private and public sector support.

About half the £8bn is being spent on one big project, Olympia and York's Canary Wharf. The final private expenditure is not known.

The ratio will be altered by the spending on infrastructure. Some £3bn is expected to be needed for roads and for extending the Docklands Light Railway and the underground's Jubilee line. Some has already been committed. Roads have been laid in Royal Quays, which has itself not yet been completely developed. The £3bn also includes money spent on the light railway. Not all will come from the LDDC. The Ministry of Transport is responsible for trunk roads and the Jubilee line.

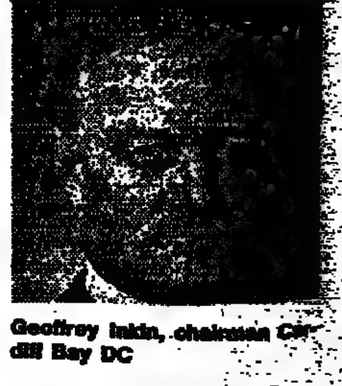
Black Country

THE development area stretches from the edge of Birmingham to Wolverhampton. After an extension in 1988 it covers 6,500 acres. It contained 200 derelict sites. The corporation strictly defines private sector investment as the amount of money spent on projects with which it is associated and not the investment which would have gone into the area anyway. On this basis it estimates some £200m has been invested.

The corporation says it has commitments for £500m and eventually hopes to secure private sector investment worth £1.3bn.

Cardiff Bay

ALTHOUGH designated as one of the second generation UDCs, Cardiff Bay has not really got going. It is still waiting for permission for the barrage to be built across the Bay. If this goes ahead, then the CBDC is, in the long term, looking for private sector investment of £2bn. It estimates 30,000 jobs could be created. It will spend at least £350m. To date there has been around £200m of private sector investment.



Geoffrey Inkin, chairman Cardiff Bay DC

Aim is more balanced development

IN ALL cases the financial targets of development corporations seem to have been met, are being met or are on their way to being realised. Some qualifications are necessary. Development corporations do not build trunk roads, still less do they build barrages across rivers and bays.

The government has been known to put money into light transit railways in the past and may do so again. Manchester, Sheffield, Bristol and Liverpool are all looking at the possibility of light transit railways. The funds spent by the UDCs do not, therefore, represent the total amount of public funds spent in the areas.

Manchester, Sheffield, Bristol and Liverpool are all considering light transit railways

On the private sector side there can be gaps between what is committed and what is actually spent. There can be long delays in realising the investments. Developers can fall out of bed on projects. Leeds, for example, heavily involved in office development, has downgraded its forecasts of private sector investment from £2.5bn to £1bn. A flagship development in the Black Country has run into trouble.

Assuming the figure to be generally correct, however, the main question is whether this quite considerable private sector investment would have happened without public sector pump-priming.

The answer is broadly, no. It would have taken place in some areas and probably on a piecemeal basis. The Meadowhall shopping complex in Sheffield was under way before the UDC was set up and would probably have gone ahead.

The Newcastle Business Park, which is on a 60-acre site and is 80 per cent full would probably also have gone ahead with or without a UDC.

But it seems unlikely that the really derelict areas such as Docklands and the Black Country, Tyne and Wear would have been developed on such a scale without public money.

As Ms Sonny Crouch, the director of marketing at the London Docklands Development Corporation, says: "There was a consultative board for 15 years before we came along and it could not decide what to do with the area."

Sir William Francis, the chairman of the Black Country Development Corporation, has no doubt at all that the area would not have been developed but for the catalyst of government money. "Developers need the abnormal cost removed before they will build," he says.

A builder himself, he points out that contrary to appearances developers are low-risk speculators. They usually like the comfort of other developers around them.

'We have all learned from Docklands' emphasis on physical regeneration'

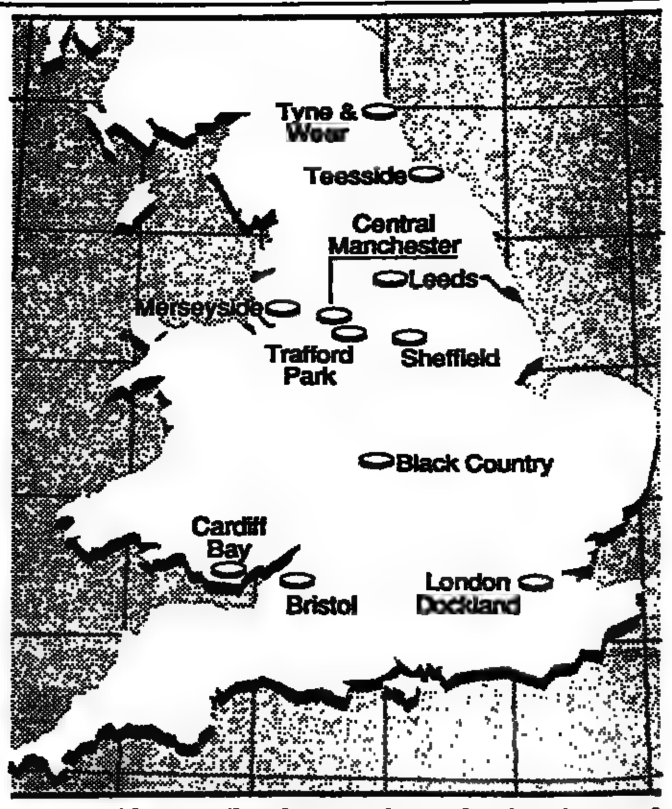
At first sight, it looks as if the UDCs are lining the pockets of developers by assembling the land cheaply through compulsory purchase and letting the developers sell it on expensively. Or, it might appear that they are subsidising the builders by giving them city grants to make up the difference between costs and profits. Or, it might seem as if they are underwriting developers by putting in roads or decontaminating land.

URBAN DEVELOPMENT CORPORATIONS: KEY FACTS

UDC	Date established	Area (hectares)	Initial nature of area	Initial population (estimated)	1988-89 exp (£m) Grant-in-aid Final outturn
Merseyside	March 1981	960[2]	Derelict docks, polluted land - 80 per cent derelict or unused	7,000[2]	21.0
London Docklands	July 1981	2,070	Derelict docks & associated industry – 45 per cent of area derelict	40,000	116.4[1]
Trafford Park	February 1987	1,267	Old industrial estate, one third unused or derelict	40	15.5
Black Country	May 1987	2,345[3]	Derelict metal-working sites with population interspersed	35,000	23.0
Teesside	May 1987	4,565	Former steel chemical sites - more than half derelict unused	950	21.0
Tyne and Wear	May 1987	2,375	Shipbuilding & river related industry, one third derelict	4,000	24.0
Cardiff Bay	May 1988	1,093	Derelict docks, 25 per cent vacant or derelict	5,600	18.2
Central Manchester	June 1988	187	Heavily built up mixed use centre area 40 per cent derelict or underused	250	2.5
Leeds	June 1988	540	Mixed industrial and former power station sites, 25 per cent derelict or underused	7,500	2.7
Sheffield	June 1988	900	Former steel sites, 40 per cent derelict or underused	300	8.0
Bristol	January 1989	360	Mixed industrial area, 20 per cent derelict or underused	1,500	0.3

1 Total programme £219.7m including expenditure from receipts
2 Increased from 350 hectares in November 1988 (population 450)
3 Increased to 1,[illegible] hectares in June 1988

Source: Pieda & Partners



However, without the removal of these abnormal costs, developers will rarely take the plunge. Usually, they work on tight margins. They can make good profits if the market is buoyant but because of their high gearing they can sustain great losses if the project is targeted incorrectly. In any event they can rarely afford the money up front to pay for infrastructure.

As for the other main consideration – the question of whether the UDCs are engaged in merely physical redevelopment or are attempting regeneration in the wider sense of social and community development – Mr John Glester put it as well as any of the chief executives: "The UDCs were conceived primarily to bring about economic regeneration. They were not involved in building whole new communities like the new towns. But we have all had something to learn from Docklands' emphasis on physical regeneration."

London Docklands' early concentration on "development at any cost" has contributed to the second and third generation UDCs being more conscious of the need for wider development.

Those with populations within their remit have all built some low cost housing either through housing associations or private developers. Many have also protected tenancies and other forms of rented housing. Most UDCS have spent money on environmental improvements.

UDCS are reaching agreements with local Training and Enterprise Councils (TECS) for training and education programmes. Increasingly the UDCs are aiming at more balanced development.

Christopher Thomas, chairman of Bristol DC

Bristol

LIKE Cardiff Bay, Bristol has barely got off the ground. This is because it did not come into being until January 1989 and did not have its first full-time officers until May 1989. Originally, it was to have £15m to help develop an area of 900 acres beneath Temple Meads station. Although this is close to the city centre it is a tangle of railway lines, canals and poor roads. Access is difficult. The corporation insisted that a two-mile spine road to ease congestion was vital. It offered to find £20m of private sector money for the road if the Ministry of Transport would find the rest – £30m. This has been agreed and the spine road project is thought to be the only road of its kind managed by a development corporation.

It was thought that some £550m of private investment would be forthcoming once the road was built. It is now estimated that one site at Temple Meads could be worth £500m.

Trafford Park

COVERS 3,000 acres, including the 2,000 acres of the former Trafford Park industrial estate and an old British Steel site at nearby Irlam. The area now houses about 1,000 companies, of which around 200 arrived after the corporation was formed in 1987.

An initial capital sum of £160m was agreed. Mr Mike Shields, the chief executive, reckons that about £200m will eventually be spent. The target is £1bn, spread equally between offices, light industrial property and industrial development.

Some leisure and retail development, but little residential property, will be encouraged in the old Village area. So far the corporation has spent £55m.

It estimates that 10 projects have created 1m sq ft of office or factory space and that another 12 projects will create a further 2m sq ft. So far £400m has been spent.

Hugh Sykes, chairman Sheffield DC

Sheffield

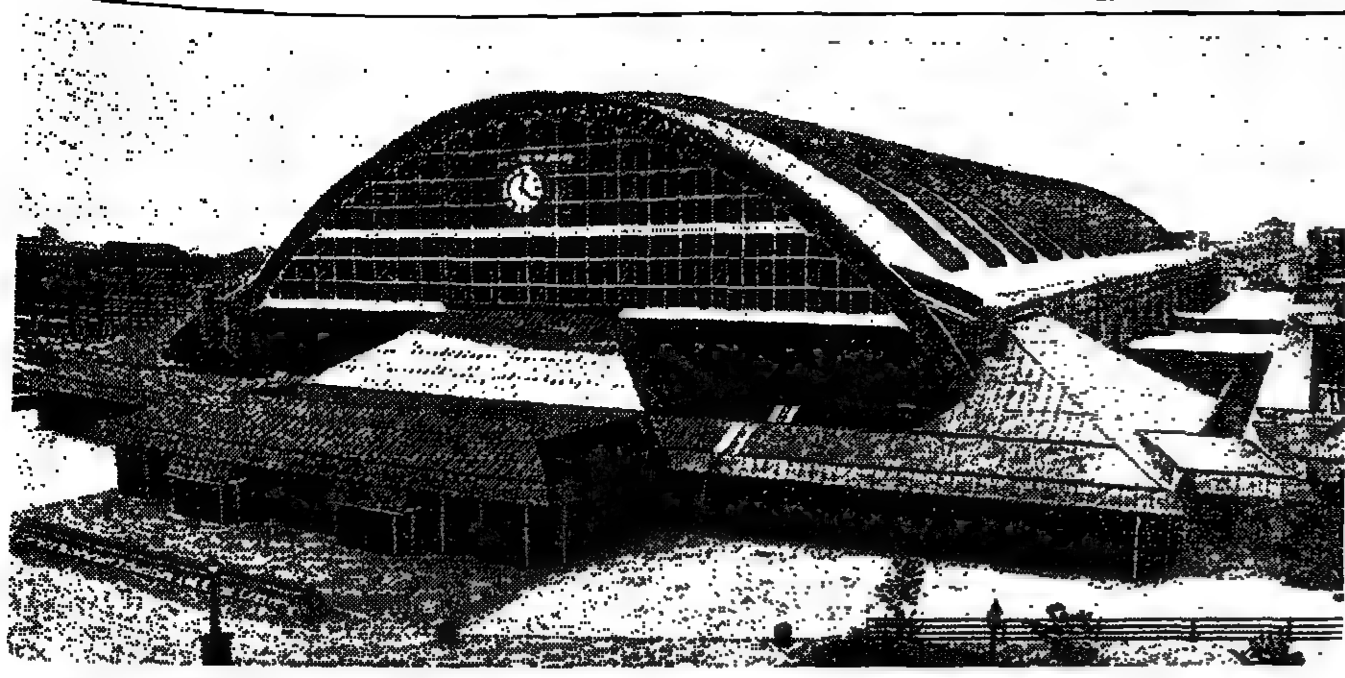
COVERS 2,000 acres in the Lower Don Valley. It looks rather more derelict than it is. Some 18,500 people still work in the area. The amount of money originally allocated to the Sheffield UDC was £50m for seven yearsbut this was pushed up to £80m. Quite a lot is being spent on infrastructure including £14m on a road.

The corporation expected to generate £300m worth of private sector investment, and so far have received commitments of £160m. These figures exclude the spending on the Meadowhall retail centre which is in the UDA but was being built before the establishment of the UDC

Tyne and Wear

CLAIMS to be the biggest linear development in the country. Its area is more than 6,000 acres spread along 27 miles of the rivers Tyne and Wear. These are areas of great dereliction.

They also have very mixed ownership and so, apart from improving infrastructure and access, land assembly has added to the costs.. The Tyne and Wear Development Corporation now owns about 800 acres. In one instance there were 48 different owners. Tyne and Wear was given £150m, but reckons it has spent that already. So far it has generated £500m of investment commitment.



Manchester Exhibition Centre

Mike Arran

Manchester's ambitious concert hall development

Song in the city's heart

VISITORS TO central Manchester have always had difficulty in finding the exact location of the city centre. Piccadilly or St Ann's Square may seem the obvious possibilities but the city's A-Z guides them inexplicably to a surface car park on Mosley Street.

The image of bemused Japanese tourists wandering hopelessly around a council-owned car park is difficult to dislodge, but the humour has been overtaken by events. The car park, opposite the Greater Manchester Exhibition Centre, is now the focal point of a plan to create a new centre for the city.

The site for the development has been vacant for decades

The Great Bridgewater initiative, named after the thoroughfare which cuts through the Victorian former cotton warehouses on the south side of the city, is a partnership between the city council, the development corporation and the private sector.

It is an ambitious project by any standards, involving the creation of a £30m international concert hall for the Halle Orchestra, 250,000 square feet of office space, housing, leisure facilities and the re-construction of a canal basin.

If successful, it will provide the council with ownership, debt-free, of a concert hall, the UDC with a jewel in its crown and Beazer, the private sector partner, with substantial profits.

Despite the scale of the £100m development, it is being pursued with archetypal northern pragmatism. Beazer's scheme won through in a development competition not because it was better than its rivals but because it was more practical.

The choice was between affordability and a grander vision for the city promoted by rival developer, Speyhawk.

Mr John Glester, chief executive of the development corporation, says the decision to go for what could be done rather than what might be done was unanimous.

"There were all kinds of reasons why the Speyhawk proposal was not chosen," he says. "It would have required a parliamentary bill to move the tracks of the Metrolink, it would also have needed about three times more public sector support."

The need to push the project along is understandable. The site has been vacant for decades and the city council, avoiding charge-capping by the skin of its teeth, could not have held on to it for ever.

It is also one of two major UDC schemes for the immediate vicinity, the other being Merlin's £100m-plus conversion of the Great Northern Warehouse into a festival marketplace.

Each project draws strength from the other. If one goes ahead then, with G-Mex, the area achieves a critical mass which makes the other more likely.

Neither deal has so far been signed, which must have led to some sleepless nights for the development corporation. Mr Glester says he has spent much of the summer with Beazer revising the scheme; almost inevitably the office content will rise.

By packaging the site with the Free Trade Hall, current home of the Halle, and an old depot on Bridgewater Street, the city council has provided Beazer with a range of options. It is an acknowledgment that concert halls cannot be conjured out of thin air.

The deal between the parties is exceptionally complex and Mr Graham Stringer, the council leader, says that in such circumstances there are genuine advantages in working with the private sector.

The initiative may lead to a second office core in the area

"There are areas of expertise, particularly in financing, that are needed and that we don't have. I think we have recognised that we can't do everything ourselves."

Mr Stringer's attitude to the UDC is just as practical. "Politically, I don't think it should exist because it's non-democratic but it is doing many of the things we would have done given the resources," he says.

The initiative is large enough for all sides to accept that they could not go it alone. Mr Martin Willey, Beazer's director of strategic planning, praises the remarkable degree of co-operation between the partners.

"There is an extraordinary team spirit and that is what makes me most confident that the project will go ahead. We are overcoming all of the problems together," he says.

The most complex problem may well be public funding. Estimates vary but this seems to be around £30m. At its simplest, this is made up of the £14m land value thrown-in by the council which, in turn, should trigger around £6m from the European Regional Development Fund and perhaps £10m in city grant from the UDC.

Beazer is careful to avoid comment on the figures. Mr Willey says the company is keeping some of its powder dry but admits that cost-benefit analysis and the valuation of the Free Trade Hall are likely to be the most testing aspects.

Beazer's profit will come from the office content and, although the site is outside the city's financial core, the company is rumoured to have pre-lets lined-up for parts of the scheme.

The design of the concert hall, watched over by a bewildering number of architectural advisers, is now virtually finalised. Mr Willey predicts that things will start to move in December.

For Manchester, there is more at stake than simply an international concert hall. Overcrowding in the city's main office core has limited development and the belief is that the initiative will anchor a secondary office core in the Bridgewater area. A study by Applied Property Research earlier this year suggested that this second core was already taking shape.

Martin Regan

BUSINESS PARKS

Advantages of going to Newcastle

THE SITE of William Armstrong's Elswick Engineworks, a mile up stream from the Tyne Bridge, holds a place in the history of the Industrial Revolution.

From 1846 Armstrong produced hydraulic cranes, accumulators, bridges, engines, and eventually armaments like the famous Armstrong gun with its wrought-iron barrel there.

It was said that Elswick produced half the shells fired by the Allies at the Battle of the Somme – and 20 per cent of those fired by the Germans.

Less than two years ago the Elswick site looked like a battlefield itself. It was a picture of urban decay to a spectacular degree, highlighted by the vision on the opposite bank of the Tyne where the Gateshead Garden Festival was taking shape.

But now a new success story can be told about Elswick. The Newcastle Business Park is taking shape at remarkable speed – literally rising from the ashes of the Armstrong works.

Dysart Developments (Tyne & Wear), in partnership with Tyne & Wear Development Corporation (TWDC), has secured 10 companies occupying 670,000 sq ft for the site. Against an original forecast of inward investment of £45m, they have already obtained £140m – and more than 4,000 jobs.

The clients are all from outside the region or locally based fast growth companies: the key successes were AA Insurance, British Airways and Cellnet. The 60-acre site is now 80 per cent let and is considered the largest business development in the north of England for half a century.

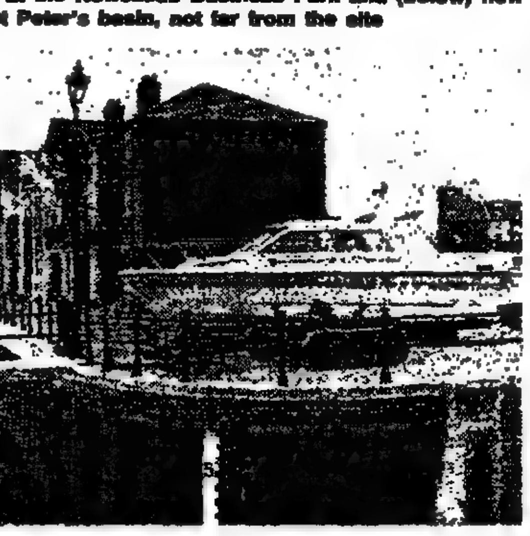
At the business park the development corporation is involved in a project to build an office skills training centre with the help of a £350,000 grant so that young people can be trained for jobs at the site. It is hoped that phase II of the development, comprising a technology park on 67,000 acres, will be completed by August 1991.

Looking back, the Newcastle Business Park looks like a success from the start – but in fact it was preceded by disaster: the Armstrong Centre in the early 1980s which failed to establish a leisure, retail and industrial mix on the site.

The TWDC stepped in with just two years of enterprise zone status remaining to try and make the site work. Mr Alastair Balls, TWDC managing director, says the initial problems were formidable with a riverside site 27 miles long and a quarter of a mile wide.

The Newcastle Business Park was only part of that but it presented problems and challenges of its own. Three years ago the site was 100 per cent industrial and 90 per cent defunct.

"The degree of dereliction was mindboggling," Mr Balls says. Not only did the banks of the river have to be reconstructed but the narrow ribbon site terraced up away from the water.



Alastair Balls, chief executive of Tyne & Wear Development Corporation, at the Newcastle Business Park and (below) new housing in St Peter's basin, not far from the site

Mr Balls identifies the care with which the site has been reclaimed as one of the key attractions to companies – combined with the speed with which the developers have been able to provide completed buildings.

The British Airways location decision seems to be typical for the criteria chosen in a search which produced a shortlist of 13 possible sites nationwide. They are preparing to create more than 700 jobs in a £35m state-of-the-art sales and computer centre on Tyneside.

A BA spokesman in London emphasised that decentralisation was not behind the Newcastle decision and earmarked the benefits of the enterprise zone grants and the speed with which BA could locate as the winning factors. "They were able to offer a six-month advantage over other places."

One factor which helped sell the site was the existence of a 4,000 mile optic fibre cable network installed at no charge by the park's first occupant – Cellnet, the mobile telephone company. Its purpose-built telephone exchange is the culmination of a £40m investment by the company which will create more than 50 jobs in the area.

Also the rent costs, at £10 a square foot, are some of the cheapest in the north on sites of such quality. The value of quality reclamation is reflected in the sale of land at up to £150,000 an acre which was bought at £10,000. The site was bought for £1m; £12m has been invested, and a return of about £6m is expected.

The decision of AA Insurance to come to Newcastle was another major success for the park. The motor group announced it was planning an £18m hi-tech office centre creating 850 jobs in Newcastle

Consulting engineers Merz and McLellan, who specialise in power generation, are to build a £6m complex of 60,00 sq ft to provide the head office base for the multi-national organisation's 350 north-east staff, currently based at Killingworth.

In many of these moves Mr Balls believes that the skilled labour pool available in Newcastle has been crucial for companies feeling the unpleasant job and wage costs of the demographic revolution. He also cites the importance of the quality of land reclamation and discounts, in terms of quality development, the short term benefits of enterprise grants. "They come for reasons other than cash," he says.

The TWDC has gone out of its way to prove its social worth; as well it might, as the arm of Thatcherite economics in a Labour stronghold. Under a pre-recruitment training scheme local people are assured of a job interview with companies on the park. Local monitoring panels also watch over the work of the corporation along the riverside.

Mr Balls is adamant that the old Elswick works, reborn as the Newcastle business park, should again provide the nearby communities of Scotswood and Cruddas Park with much needed job buoyancy. These areas, once a grid of terrace streets running down to the Tyne, have suffered cruelly in terms of unemployment and social deprivation.

While the dream of a revitalised Tyneside riverbank stretching through the heart of Newcastle is still a distant one there is some substance, largely thanks to the business park, to a recent observation by the Prime Minister.

She said: "The morale of the area is lifting, the confidence is here and the spirit is different. The north-east is truly prospering."

Jim Kelly

IMPACT OF THE GARDEN FESTIVALS

A struggle to plant roots in Britain's grim wastelands

THE PROBLEM with a garden festival is not knowing if you have planted a marigold, doomed to die after a brief summer, or a bluebell, destined to flower for decades to come.

Four have been planted already in Britain; at Liverpool, Stoke, Glasgow and Gateshead, while another is being carefully turned from the pot to the soil at Ebbw Vale for 1992.

As centres for urban regeneration each one has enjoyed a glorious summer – but have they taken root?

Gateshead, which closes this weekend, has had its summer. But what is the legacy to be for the people of Tyneside? The valley at Ebbw Vale may bloom in 1992, but will dereliction return?

Temporary garden festivals, an idea spawned in Germany in the 1930s to focus sponsorship and development for long-term land regeneration, have always been seen as a tool to coax life back into some of Britain's grimmest wastelands.

But the future of garden festivals lies with the government, which provides grant aid for reclamation and construction. An independent report has been commissioned from PA Economic Consultants at Cambridge on the performance of the national garden festivals of 1986, 1988 and 1990.

That report is now with ministers at the Department of the Environment: only a clear page in the diary is needed to allow a public announcement of the results. The criteria used to judge success will be as interesting as future policy. Is it to be value for money, job training, image building, reclamation, or "the end-use scenario"?

At Gateshead the concept of a lasting legacy was considered of great importance. The long-term development of the entire site was secured 14 months before the festival opened.

Mr David Copeland, managing director of National Garden Festival '90 Ltd, also employs wide criteria to measure success "You have to look at the people it leaves behind." He says that 1,400 jobs have been created and 1,500 people have gained vocational qualifications. There is a JobCentre on site.

An important role in the "regeneration cycle"

Mr Copeland believes that, particularly in Glasgow, the garden festival can play an important role in the "regeneration cycle" and that Tyneside is on a rising curve within that pattern of development.

He can point to financial success as well. He has "refilled the coffers of Gateshead to the tune of £8m" – the amount the festival had to be underwritten. Sponsorship amounted to £22m, £4m in cash, and the total "worth" of the site is £55m.

That long-term development can take place on the old gas and coke works land is an environmental success. Some parts of the site were under 80 ft of coal dust. It cost £30m to reclaim the site and £7m of derelict land grant was used in five years instead of 25.

Gateshead attracted 3m people – at the lower end of its target range – but was not graced with a consistent summer.

Now Shepherd Homes is to build 400 houses on the Norwood site, having offered £1.5m sponsorship as part of the tendering process. Robert McAlpine plans a "flagship development" beside the river and there are persistent rumours that a regional headquarters for utility-related industry is to use the site.

Gateshead gets a new lease of life: a housing development on the site of the garden festival

Several aspects of the festival's infrastructure were built on a blueprint to fit the proposed end-use development.

Looking back, the big success story in the history of UK garden festivals is Stoke '86. The 135-acre site development by St Modwen Properties, a Staffordshire company, created more than 2,000 jobs in a £100m development.

The scheme involved building a 300,000 sq ft retail centre, a leisure complex – with cinemas, dry skiing and ten-pin bowling – a hotel, office blocks, trade centre, campus offices and industrial units.

At Ebbw Vale they have studied the Stoke experience: "We have been to Stoke because it was the most successful of the garden festivals so far," says Ms Lizbeth Barrett of Garden Festival Wales Ltd.

While a working party is looking into "the end-use scenario" for Ebbw Vale's opening in 1992, she says the lesson at Stoke does not necessarily point to the need for the site to be secured before the first visitor enters. "The Stoke experience does seem to be the most successful: run your festival and make sure you get high quality land reclamation."

Despite the progress of the £57m project Ms Barrett admits: "There is scepticism in the valley – people say: 'I'll believe it when I see it' but they are begining to believe us."

Glasgow's experience was, inevitably, "unique" according to the organisers. Its real success, and legacy, was its contribution to image building and its attraction for inward investment to the region. A spokesman for Glasgow City Council says: "Some 4.35m people came through the door and they helped to bury the old image of Glasgow."

"Some 4.35m people helped to bury the old image of Glasgow"

The Liverpool experience, which began with Michael Heseltine at the Department of the Environment, does not, in fact, bear comparison with the other garden festivals. Liverpool was the home of an International Garden Festival, awarded on a 10-yearly basis, by an international committee. Its funding and sponsorship criteria were quite different.

After the festival there were successes on the 125-acre site. But a 45-acre site beside the river is still the subject of a "feasibility study" after one developer went bankrupt. But despite that the £11m reclamation was completed, leaving the £19m festival to break even, and 3.378m people came through the gate.

Back in London, the Department of the Environment has confirmed that the long-awaited report on the future of garden festivals is now at hand.

In 1987 the government announced the end of the present garden festival programme after Ebbw Vale in 1992.

Many observers of the government's urban policy believe critical questions will be asked about the role of garden festivals and whether they are the only tool which can secure reclamation and regeneration.

Garden festivals, certainly as periodic national festivals, may be a thing of the past but there are a few hardy blooms across Britain as testimony to the fact that they have been at least a qualified success story in the last decade.

Jim Kelly

EANAM WHARF

Stubborn individuality

IF URBAN regeneration reflects the area in which it occurs, then Eanam wharf is unmistakably north-east Lancastrian. A dour group of buildings on the banks of the Leeds and Liverpool Canal, its restoration shows a stubborn individuality.

Visitors to the wharf side can be forgiven for returning unimpressed. The buildings, close to the centre of Blackburn, seem little more than an inferior version of Wigan Pier, some 29 miles downstream.

The significance of Eanam Wharf is to be found neither in its size – the project cost less than £1m – nor in its end use. It is important because it was the pilot scheme which launched a strategy to regenerate an 80-mile stretch of the Leeds and Liverpool Canal between west Lancashire and Pendle.

The strategy was devised by Lancashire Enterprises, the former economic development arm of Lancashire County Council which was privatised last year. It was primarily a means of cobbling together an Article 24 submission to the European Regional Development Fund.

Individual projects within the canal corridor were thought to have little chance of securing the funding required. As part of a greater £300m initiative those areas ineligible for ERDF could be packaged with those which were.

Unsurprisingly, the strategy found support from all seven local authorities along this particular stretch of the canal. The British Waterways Board was also an early backer.

The canal seemed the obvious focus for such a strategy. When built in the 1890s it was the longest man-made waterway in the country, its 143 miles linking the port of Liverpool to the industrial towns of Lancashire and Yorkshire.

However, its significance can be overstated. By the turn of the century, at a time when Lancashire production was at its zenith, it had become almost irrelevant.

In Odhams 1933 British Encyclopaedia it rates just two lines, compared with more than half a page for the Manchester Ship Canal.

The decline of the Lancashire textile industry left widespread dereliction along its banks. As companies folded new businesses did not take up the vacant canalside space.

The result was that by the early 1980s 6 per cent of all derelict land in the UK, some 2,568 hectares, could be found along the canal. There was also literally millions of square feet of vacant floor space.

Michael Hynes, chief executive of the privatised Lancashire Enterprises, says the problems were so vast that the grand strategy was the only option.

"The study was looking at a comprehensive programme, infrastructure, pilot projects, training and technical support. It was all about talking the canal corridor scheme up," he said.

Wigan Pier had shown the way. A three-year development project costing £3m had brought a mixed use development, the tourism potential of which is only now being appreciated.

The canal corridor team were more interested in the job creation potential. Wigan Pier not only saved 130 jobs, but created more than 300 jobs in services and manufacturing.

Eanam Wharf seemed particularly suitable. It was on the edge of a town centre, was still repairable and would be eligible for European textile area grants. The willingness of Labour-controlled Blackburn council to offer financial support was also important.

In 1985, a complex financial package was proposed. In essence, Lancashire Enterprises put in £200,000, a further £250,000 came from the council's Urban Programme and the private sector was to make up the rest of the £650,000 project cost.

The wharf, owned by British Waterways, was taken by the council on a long lease which allowed the public company to use the rent for its own capital programmes.

Today, Eanam Wharf, supported by ERDF, is a thriving 24-unit small business centre. It also contains a new public house, developed by a local entrepreneur.

Part of the business space is home for a textile technology centre; an attempt to offer the area's small textile firms access to the industry's most advanced technology. Training courses at the centre are funded through the European Social Fund.

The signs are that Eanam Wharf has had a significant regenerative effect. Most obvious sign is barely half a mile upstream where a second business centre has been developed at Daisyfield Mill, the region's largest surviving corn mill.

Bought three years ago by Lancashire Enterprises for £80,000, the 53,000 sq ft warehouse has been converted to small office suites. Lancashire Enterprises has based its employment training programmes at the mill.

Some £2m has been spent on the refurbishment, supported by £800,000 in grants. The corridor project has created its own momentum, with schemes at Chorley, Skelmersdale and Rawthenstall all coming on-stream.

The lessons from the canal corridor initiative so far have been that there are no easy solutions to the problems of north-east Lancashire. Long-term recovery will be the result of 1,000 Eanam Wharfs.

Martin Regan

International Convention Centre

Birmingham's dream project

International Convention Centre takes shape

PATIENCE is required on that stretch of road which links the Birmingham city centre to the southern office and residential area of Edgbaston. The road is being resurfaced in preparation for the opening next April of the International Convention Centre.

The ICC has been a dream in the minds of the Birmingham city fathers for a decade. Feasibility and technical studies started in the early 1980s and construction began in 1987 of what is very much a public sector project with a reliance on private sector revenues. There will be 10 halls of varied size, including a new home for the City of Birmingham Symphony Orchestra.

In terms of the renewal of Birmingham, the ICC represents two different strands of thought. It fits into the economic development of the city, but it also changes the economic geography of the area.

The first, and broadest, point springs from the realisation, brought home with painful clarity in the recession of the early 1980s, that Birmingham has been overly dependent on manufacturing industry for its prosperity. Proportionately Birmingham lost more jobs during the recession than other major British regional centres.

The antidote was seen to be an expansion of services, the better to balance the economy. Indeed, again proportionately, the growth of employment in the Birmingham service industries after the recession was quicker than in other regional centres.

In this context the ICC has a significant role to play. It has become a sort of totem pole of Birmingham's emergence as a services rather than a manufacturing centre. The immediate rationale was fairly clear. Not only could the ICC help to promote service industries in the city, it could generate jobs: visitors would come to the city, they would need hotels and so on and these would have to be staffed. The more visitors the city seemed likely to attract, the more successful the ICC would be seen as a catalyst for attracting new investment. At any rate the ICC has been an integral part of the spate of new building which since the mid-1980s has been taking place in the city.

The site for the ICC is just outside the city centre, defined by the inner ring road. As it is part of a jigsaw of development it has the effect of helping the centre to break out of its present geographical limit. And as developments have taken place near it – two new hotels for example – it has been a stimulus to the revival of a district which was at best anonymous and at worst derelict. Further, there is associated beautification like the creation of a paved square alongside the ICC and in front of the Birmingham Repertory Theatre.

The sum of the developments is to help bridge the gap between the city centre and its southern offices district and thus to enlarge the central area. The sum, however, will not add up for a number of years. The ICC is part of a triangle of projects. The other two corners are the National Indoor Arena, another public sector project which is under construction and should be finished by October 1991, and Brindley Place.

Brindley Place when completed will be a mixed development, but the ingredients of the mix – shops, hotel, offices and a form of tourist attraction – have not been settled and its immediate future has been clouded by the fall of the commercial property market.

Originally the project was a joint venture between Merlin and Shearwater. Merlin, seeking to reduce commitments, withdrew and Shearwater took over. But Shearwater is a subsidiary of Rosehaugh, whose financial difficulties were amply advertised early this year.

Under these circumstances it is unrealistic to expect an early start to the construction of Brindley Place. The next moves, probably before the end of the year, will be a discussion by the City planners of revised Shearwater proposals for the site.

So the public sector side of the ICC and its related developments continues while the private sector component lags. The reason is that the financing for the ICC was settled long before the commercial property market subsided. A key element of the £148m costs has been the provision by the European Regional Development Fund of £37.5m. The balance has come from the Birmingham City Council, largely through taking a mortgage on the National Exhibition Centre, some eight miles south of the city.

The NEC now is sufficiently established to make a contribution to the City funds. But the ICC will not pay its way for a number of years – what number is not clear. Rather the financial reckoning is worked out on the basis that ICC activities will contribute to the local economy. The latest bookings show that about 70 conferences have been booked in over the first five years. And in the first year, the ICC expects that there will be 155,000 delegate days; that is, the number of expected conference delegates multiplied by the number of days it is assumed the delegates will be in Birmingham.

Whether, over a period of 10 years, the ICC will prove to be a money-spinner or a financial white elephant remains to be seen. There is a body of opinion in Birmingham that would prefer to see Council funding on more immediate social needs than spending on what it sees as grandiose projects. But the Birmingham municipal tradition has never been anything other than active.

Paul Cheeseright

TEESSIDE PARK

Flagship venture

TEESSIDE PARK, one of the Teesside Development Corporation's flagship projects, will be among the largest leisure and shopping complexes in the country. The £80m development will be linked by a £14m interchange to another of the TDC's key projects, the commercial, residential and retail Teesdale complex.

These projects are designed to form the "critical mass" of developments needed to attract fresh investment to Teesside. Mrs Thatcher's visit in 1987 delivered, according to Mr Duncan Hall, chief executive of the TDC, "a message of confidence" in the area and "gave us a window to get development off the ground." Like all the TDC's projects, it is being run in conjunction with the private sector.

Beyond the building stage, a broad range of retailers are becoming involved.

A 10-screen multiplex cinema, due to open next year, will be developed and managed by Warner Brothers. Toys 'R Us, the US toy retailer, has opened for business. Other lettings include B&Q, Comet, Poundstretcher, WH Smith, Do-It-All and Iceland Foods.

The Teesside Park project includes a £25m leisure complex, expected to create 400 new jobs. That site will include a tenpin bowling centre, a nightclub, restaurants, bars and fast-food outlets.

There has been some concern that the Teesside Park project will draw business from the high streets of Middlesbrough and Stockton. Others say that the shopping centre will spur competitive effort by the high-street shops and so benefit the region as a whole, attracting shoppers from outside the area.

But the projects are more than just grandiose shopping malls. The neighbouring Teesdale site will include a £1.34m residential centre for sufferers from Alzheimer's disease. Linking the two projects is the £40m A66 interchange. Work on the interchange is reducing traffic to one lane. That such an interruption of traffic causes protests reflects the expectatations of fast communications, rather than the scale of the hold-ups.

Tracy Corrigan

HARTLEPOOL MARINA

Sails promotion

AT ONE time, more ships were built in Hartlepool than anywhere else in the world. But in years to come it will be not ships but yachts that are needed to rebuild the town's economy.

Hartlepool marina is at the crux of an effort to shift the town's economic base and transform its image. A £165m project launched by the Teesside Development Corporation, the marina is an ambitious shopping, housing and leisure complex.

"There have been 20 years of proposals with one thing in common – they didn't happen," says Duncan Hall, chief executive of the Teesside Development Corporation. The concept sits uneasily with the vista from the Hartlepool seashore – the rolling coastline is still dominated by pockets of industrial plants.

The town itself is off the beaten track, but as a seaport it will be a useful staging post for boats in the North Sea as well as a centre for local enthusiasts.

The marina will bridge the gap between the two towns which make up Hartlepool: Hartlepool proper, which dates back to the 8th Century, and West Hartlepool, which grew up around the docks built in the 19th Century.

The economy's downward slide started in 1963, when Gray's shipyard closed. Over the next two decades, 25,000 jobs were lost.

The docks are still an important part of the economy. They are part of the Tees and Hartlepool Port Authority, the third largest in the country.

In recent years, the economic base of the town has changed, with the help of grants and economic assistance. Unemployment is still high on a national scale, but has been whittled away from more than 25 per cent to around 12 per cent, as industrial estates have been filled with UK and foreign companies. But the scale of the problem is hard to tackle.

That is why the marina complex is something of a milestone. It will provide much more than 400 berths. One thousand five hundred homes, shops, restaurants, bars, a hotel, a business park and a maritime museum are planned.

Tracy Corrigan

CASE STUDY: Lewisham

Industrial regeneration

THE boundaries of the London borough of Lewisham form an untidy triangle between Greenwich and Southwark in south-east London. The apex borders the Thames, the southern points stretching towards the leafier, wealthier belt of suburbs in Kent and Surrey.

The council is grappling with many of the problems familiar to most inner London boroughs, finding ways through the maze of complex constraints placed on local authorities in the Thatcher years.

Main roads cut a swathe through the borough, taking heavy traffic to the south and to the Kent ports. Residential and shopping areas can be crudely divided by such roads.

The ethnic mix of the population puts a greater demand on some council services than in many boroughs. About 18 per cent of the population is black, rising to 20-25 per cent in younger age groups, and is highest in the poorest parts of the north of the borough. Unemployment is particularly high among these groups.

Around half of the housing in the borough is owned by the local authority, some of it requiring more money in renovation and repairs than the council has in its coffers. The demand for public housing is enormous. The council is proud that it managed to build 400 new homes before the capital allocations rules were changed by the Government, and equally proud that it has no families in bed-and-breakfast accommodation.

The council, at present conducting a delicate but rigorous campaign to cut the costs of

About half of the housing is owned by the local authority

services without impairing their quality, prides itself on its positive attitude to solving the problems. Steered by the Labour-led council, chief executive Mr Terry Hanafin, a native of Middlesbrough in the north east of England, is conducting a rationalisation exercise which would be worthy of any private sector company. Lewisham's poll tax this year at £297 was only 60 per cent of the average for London Labour boroughs.

The programme involves asset sales – £18m last year (excluding housing), projected at £9m this year – and better utilisation of resources. The Lewisham shopping centre, now being refurbished, was sold. Part of the proceeds have funded a new town hall. Greater concentration of personnel in the new building will save on the scattered locations used until now. And the local further education college which has fallen into Lewisham's management with the demise of the Inner London Education Authority, will be used more intensively.

Partnership between private and public sectors seems to work in Lewisham, although there are considerable worries about the impact that the property slowdown will have on some of the cherished projects still in the pipeline.

Lewisham set up its own development corporation in conjunction with the Phoenix group (private sector-led Phoenix has acted as the catalyst for several development schemes around the country). The plan is to modernise infrastructure and to regenerate industry, which in turn will bring jobs. However, government finance to support the plans has still to be agreed. The original plan was to endow particular sites at nil cost, but the Department of the Environment refused on the grounds that this would not contribute to the redemption of the council's debt. The sites will now be sold, at market value, to Phoenix, which will borrow from the Government.

An early casualty of the property collapse, however, was the planned Medical Innovation Centre at Deptford Wharf, to be run in conjunction with St Bartholomew's Hospital. A replacement for the financial institution which pulled out last November is still sought.

Directly opposite the Canary Wharf tower, Deptford Wharf, on a broad sweep of the Thames, has one modest building which marks a successful bid to secure employment – just a couple of months ago, Plessey Siemens moved into the factory making control systems which it is hoped will be the first of several technology-led complexes in the borough. The development was financed through Greater London Enterprises, the successor to the enterprise board for the capital set up by the old Greater London Council, and Rosehaugh.

Close by, the Pepys estate will benefit from a new source and a more familiar source of funding to provide 25 workshops from the derelict garages underneath the housing estate. The total project which includes landscaping will cost £450,000, half from the Government's urban programme, the other half from the European Regional Development Fund's special allocation of money for deprived parts of London (on a strict statistical basis, London did not qualify for the Fund). The ERDF is also paying for a bus which will tour housing estates advertising the availability of training facilities, thereby hoping to bridge the knowledge gap which is a particular problem in poorer housing estates.

Deptford High Street is another example of a planned regeneration programme in a very rundown area. The Civic Trust and surveyors Drivers Jonas have done an assessment of the opportunities in the area, where some restoration has already taken place. The plan will harness the initiative of many local people and protect the character of the street and its surroundings.

Lewisham, like all London boroughs, is home to the commuters who staff the offices and shops in the centre, as well as providing employment within the borough. Good public transport and roads are essential to maintain the flow. The transformation of the Isle of Dogs, in London Docklands,

Millwall has become a community-minded football club

to a huge new centre for financial services is seen in Lewisham as a tremendous opportunity, not just for office workers, but also for residents to provide the services, such as catering, and supply the skills, like flower-arranging, which go with big office complexes.

The plan that has caught the attention south of the Thames is the £132m extension to the Docklands Light Railway across the river. The Government has welcomed it as a very good project – but some £100m must come from the private sector. Lewisham will be lobbying hard for a successful conclusion to the project.

Perhaps just as far into the future is the new home for Millwall Football Club. Once a byword for hooliganism and all that is worst about football, Millwall, sponsored by Lewisham council, has turned itself into almost a model community-minded club. The problem is that its ground is old-fashioned, and could not possibly meet the standards recommended by Taylor. The surroundings of the ground are shabby.

The council is offering a site within a few hundred yards of the old one. The problem, not surprisingly, is finance. Present estimates are £14m-15m, which has to be scaled down somehow. Finding a solution will tax the directors, the council, the private sector, which it is hoped will build houses on part of the site, to release some money, and the Football Trust – not quite typical of inner city regeneration, but close to it.

Hazel Duffy

Hazel Duffy examines the US record

Double-edged lesson

TWO years ago, the Confederation of British Industry warned that unless concerted action was taken some of Britain's cities could present the sorry spectacle that haunts visitors to parts of the US.

The CBI's concern, voiced after an extensive study carried out on its behalf by McKinsey consultants, sprang from fears that some inner city areas in Britain were caught inexorably in a downward spiral of social deprivation. Although they did not criticise openly, business leaders were uneasy that the property-led priorities of the Thatcher Government in the inner cities could do little about these issues.

The US experience offers the best and the worst examples of ideas to arrest the deterioration of cities. Cities such as Boston, Pittsburgh and Baltimore led the way in rehabilitating their run-down centres. The initiatives on property renewal incentives proved most successful. A combination of Federal grants, tax incentives and City authorities with political power (they are not necessarily any richer than British cities) provided the motivating force for large-scale renewal and restoration of property. The property sector responded wherever they saw opportunities of making profits. Sometimes, they over-provided. Cities as far apart as Houston and Boston are weighed down with unlet and unsold office blocks.

It was the US which provided the "flagship" project idea. The theory was that such a project – the Quincy market in Boston, and the Peachtree downtown developments in Atlanta, for instance – would provide the springboard for other developments in city centres. Local authorities in

The US experience offers the best and the worst of ideas

Britain pounced on the idea. Birmingham's new convention centre, which will open next spring, is a classic example. New hotels spring up around such projects, bring business people into the city, and generally increase the wealth and wellbeing of the inner areas.

In some cities, it has worked. In others, like Detroit, it did not. The Renaissance Center, built largely on the initiative of Henry Ford II after the appalling civil unrest in the city in the late 1960s, remains a fortress surrounded by "no-go" areas. Detroit's wealth is outside the city, in the flourishing suburbs. A string of research laboratories, academic institutions and new companies providing the present and future demand for electronics in the automotive industry has grown up not many miles from the urban wasteland of Detroit.

For the largely black population of Detroit, it is a world away. They have neither the transport to get there, nor the skills to work there.

Even Atlanta, which has just won the 1996 Olympics, presents a sad contrast of wealth and poverty. The same can be said of most American cities.

This urban degradation of people has not been halted, despite considerable efforts by the voluntary sector and big companies to improve the social status of the inhabitants of the inner cities. The efforts by the residents themselves in some parts of New York have been legendary. The stories of some of the people who work in these areas, however, are hair-raising.

In Britain, there has been a tendency by politicians to sweep the social problems of inner cities under the carpet. Again, there is a tremendous effort on the part of voluntary groups, representatives of ethnic minority groups, and, in some cases, the corporate sec-

Politicians have swept social problems under the carpet

tor, to address the problem.

However, it is time-consuming, expensive, and not always rewarding, as one leading British-based company which helps to fund an inner city enterprise project, admits privately.

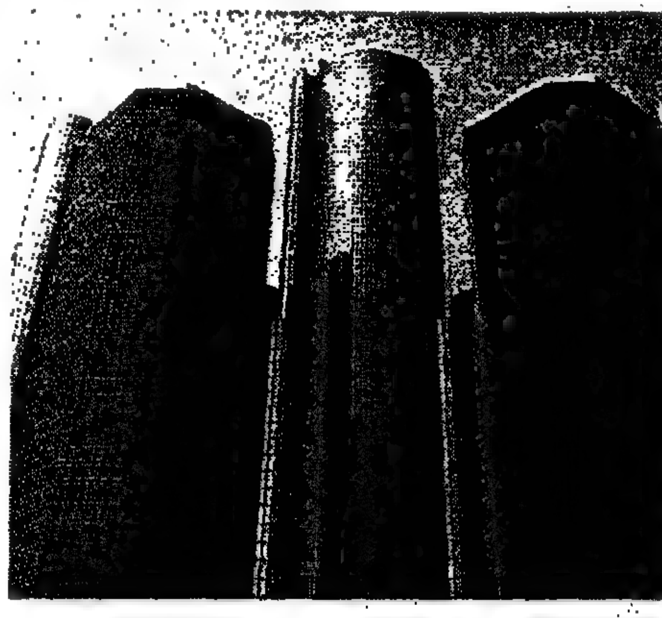
The Task Forces – Government-funded teams in particular neighbourhoods – have worked hard to stimulate new businesses among the residents of those areas, to foster basic learning and skills in minority groups, particularly women, and to encourage a sense of pride in their part of the city. Some have succeeded; some admit that they are banging their heads against a brick wall.

Inner city areas are not all poor. Some boast a flourishing black economy, where work does not involve payment of taxes, or where the way of life sometimes borders uncomfortably between the legal and illegal. The fact remains, however, that one-parent families, old people, people without work skills, and those dependent on social security, are present disproportionately in the inner cities. Exactly the same is true of US cities.

Mrs Thatcher, with her firm belief in the importance of the family, sees the leaders of the churches attended by the black community in particular as a possible way forward.

Prince Charles has thrown in his considerable influence with Business in the Community, where he is president, and specific projects to encourage young business start ups.

If there is one lesson to be learned from the US, it is that the problems of the cities are complex. They can be stimulating places, and they are also



Detroit's Renaissance Center: fortress under siege

places of real poverty. The complexity of problems has given rise to a multitude of programmes. In itself, this may not be a bad thing, but in Britain they demand better co-ordination.

There are other lessons. The failure of authorities to provide low-cost housing in the inner cities in the US has reached the proportions of a national scandal.

The start of the decline was the cut in Federal funds in the Reagan era. They have not been restored by President Bush. In Britain, more and more city authorities cite housing as a problem. They are not allowed to build. The housing association route increasingly has been shut out in inner city areas, because of the new funding requirements imposed by the Government on the Housing Corporation.

Poor education standards and too little training are similar features of the US and UK cities. Mrs Thatcher's critics would say that the odd city technology college for gifted pupils is not a solution to the mass who cannot attain such standards. Over-reliance on the corporate sector has its limitations. Where the company connection has worked well in Britain is in enterprise agencies. It remains to be seen how these will fare under the new Training and Enterprise Councils.

The US and the UK are not the only developed parts of the world with urban difficulties. Amsterdam, Paris, Naples all have intensifying problems. The European Commission has picked Marseilles and London as pilot areas where under-resourced parts of the cities will get assistance from the Regional Development Fund. Special help has also been allocated to Berlin. The east European states will bring another dimension to the problems of urban areas.

Experience suggests that money alone is not a solution. But it is impossible to do very much without it.

Cumbernauld: powerhouse of regional development in Scotland

Christine Moir on the fate of Scottish New Towns

Battle lines drawn up

JOHN SHAW, managing director of the development corporation for East Kilbride, Scotland's oldest New Town, is fretting to know his fate after the corporation is dissolved in 1994. He is keen to carry on in a privatised replica of his present job but he will not know if that is possible until after the parliamentary debate some time in the New Year when the Commencement Order for winding up East Kilbride and Glenrothes is laid before the House.

Prime Minister Mrs Margaret Thatcher's broad vision for the five Scottish New Towns is already clear. Between next year and the end of the decade they are all to lose their special status and privileges, and learn to operate without props.

That much Mr Shaw accepts. "Nobody believes New Town status should go on forever," he says stoutly, though East Kilbride has been a New Town since 1947 with no threat to its status until the government introduced its Enterprise and New Towns (Scotland) Act which gained Royal Assent in July.

What matters now is what replaces the development corporations – and on what terms. The White Paper – Scottish New Towns: the Way Forward – suggested that the most favoured option would be local property companies, under the direction of Scottish Enterprise (reformed from the Scottish Development Agency). They would buy the residual property assets of the corporations but the functions of the corporations would not necessarily pass to them.

At that point Mr Shaw abruptly parts company with Thatcher radicalism. "Why are we always trying to reinvent the wheel?" he grumbles. "We should apply the lessons we have learned about urban development through the success of the New Towns; that is, to integrate economic, physical and social development through a 'single-door' approach."

Mr Shaw cannot see the point of handing over some of these functions to Scottish Enterprise and perhaps splitting up the rest, when the experience already exists within the development corporations to do the whole job. He thirsts for a management buy-out which will leave him effectively carrying on as before.

The White Paper explicitly stated that management buy-outs would be sympathetically considered, but only the small print will clarify whether Government's notion of the scope of a buy-out is as wide – or as generous – as Mr Shaw demands.

For Mr Shaw lays down another condition: he and his senior executives must be permitted to buy themselves out on favourable terms. "If the assets are to be sold on the property market we could not hope to compete in open tender," he says, arguing that the assets should be regarded as the new company's working capital, sold as and when needed to generate cash flow for its main function, the continuous socio-economic development of the town.

At the moment there is still all to play for. The Scottish Office confirms that no decision has yet been taken about which of the New Towns' functions are to be taken over by whom. A separate controversy is bubbling over that very fact; for Government has let it be known that the rented housing accommodation will not necessarily revert to a local council.

All that is known so far is that Government "advocates diversity of tenure" – not a particularly informative line.

Mr Shaw's preferred approach would be a housing association composed of tenants; his corporation team in their privatised guise and the local district council as planners and regulatory authority. He claims to have polled tenants over their preferences and, in so far as they expressed any preference at all, most agreed with him. But then, only 200 of the 11,000 tenants bothered to reply to his questionnaire.

Another mooted alternative is to hand over the housing stock to a separate authority created along the same lines as Scottish Enterprise but called Scottish Homes. That, according to Mr Shaw, would be both "unfair and inefficient" since Scottish Homes would undoubtedly have to pass on the pure management functions to individual private companies.

And so the battle lines are being drawn up. Leaders of the other four New Towns seem to prefer to keep their powder dry for the moment, content to let East Kilbride draw the enemy's fire. In any case, their deadlines are not so imminent; the dissolution of Cumbernauld is not due to start till 1994, followed by Livingston and finally Irvine which will wind up only as the millennium dawns. In between there will occur at least one and possibly three general elections.

Thus Donald McLean, commercial director for Cumbernauld, contents himself with saying that there is sufficient of a challenge to complete the task between now and wind up in 1996 to rule out looking beyond that date. The looming fact of dissolution, he concedes, might be thought to be demoralising, but he prefers to consider it a tribute to the success of the New Town theory and practice, and commits his team to energetic enthusiasm for the remaining task.

Mr McLean's pride in the success of the Scottish New Towns is certainly justified. Like the other four, Cumbernauld has gradually become a powerhouse of regional development in Scotland; just 11 miles outside Glasgow and only 40 minutes from Edinburgh, it attracts industry on a satisfying scale – 2,300 new jobs in the 1988/89 year and 2,500 in the 12 months to March this year, have led to a drop in employment among the 50,000 population from 9.5 per cent to 7.1 per cent.

Among those not involved in the skirmishing and positioning, those statistics of success are themselves a matter of concern. David Sangster, head of property investment at the SDA (which becomes Scottish Enterprise next April), believes the SDA and the New Towns between them have "in the past been mutually guilty of providing an over-supply" of jobs, factories and offices for incoming industry. He publicly ponders what will happen once the props of development grants and subsidies are taken away. Property rents and job formation outside the assisted areas in Scotland have certainly been flat for the most part. Perhaps other areas might flourish on a more level playing field.

It is not an argument which finds much favour with Mr Shaw who represents the much more *dirigiste* approach to government still common north of the border. It is not even likely to appeal to the more temperate Mr McLean: at the very least he attributes Cumbernauld's success at least as much to the expertise of the development corporation's executive as to the exceptional privileges of a New Town.

Mr Sangster reluctantly concedes that it will take time for free market forces to take over from *dirigisme* in the SDA's own spheres of influence. At present the SDA carries out the bulk of Scotland's new industrial property building. When it becomes Scottish Enterprise it is supposed to take a back seat, merely identifying development locations and encouraging private sector development. Only where this fails will Enterprise step in and even then it should sell on the completed properties as soon as possible.

"But", says the SPA's free marketeer, "although I wish it would be rare to see us involved at that third level, the reality is likely to be otherwise."

Scottish experiment in partnership

Controlling interest

URBAN housing for people on low incomes is a big problem area. The housing stock is frequently in poor condition. In some industrial towns, for instance, the asset values of rows of owner-occupied Victorian terraces are too low, and the owners too poor, to finance the necessary refurbishment.

Housing estates, many only 20-25 years old, are frequently in even worse condition. The Government's right to buy has taken about one quarter of the housing stock out of local authority hands. The most difficult units to sell, however, are more likely in tower blocks, or sprawling estates, and occupied by tenants with little choice but to rent.

Programmes to support and encourage a better environment on housing estates have been sponsored by the Government, and have met with some success. The plans to refurbish some of the most difficult estates by taking them out of local authority hands, and making them the responsibility, temporarily, of a trust, have so far been rejected by the tenants in all the areas.

One of the most serious criticisms is that the government's Housing Corporation, the linchpin of its housing policy, has turned its back on the refurbishment of inner urban housing, since the new rules do not permit subsidies of a level required for most urban renewal schemes.

In Scotland, where the proportion of publicly-owned housing is twice as high as in England and Wales, the Government is experimenting with a different approach to the housing estates problem.

Castlemilk is a grim 1950s housing scheme in Glasgow. It illustrates the difficulties inherent in urban renewal. While the centre of Glasgow has been transformed into a showpiece, the housing estates which ring the city fall far short of achievement.

It is one of the biggest housing estates in Scotland with around 10,000 homes and a population of 20,000. That is only half what it was when the houses were new. Unemployment is 34 per cent, rising to 50-60 per cent in some areas, against a Glasgow average of 19 per cent, and the estate is blighted by poverty and crime.

The planners somehow managed to isolate Castlemilk from the centre of Glasgow, just three miles away, by providing inadequate transport links. In the same way, people without cars find it hard to travel to nearby East Kilbride, where jobs are relatively plentiful.

But Castlemilk also has a small core of residents who are articulate and willing to work hard to make it a more attractive place.

Two years ago, Mr Malcolm Rifkind, the Scottish Secretary, designated Castlemilk, along with housing estates in Dundee, Edinburgh, and Paisley, as partnership areas. The partnership is predominantly between government – central and local – and people, rather than the public-private sector partnerships set up in England.

Business is more on the sidelines in the Scottish estates, though Mr Rifkind wants to bring it more to the fore – there is plenty of labour available for business in places like Castlemilk. Mr Rifkind promised business at the Glasgow meeting that the Government would "dig deep" to improve facilities on the estates.

Castlemilk illustrates the difficulties in urban renewal

Scotland's public sector estates have some of the worst problems in Europe and the four designated for partnerships are not necessarily the worst – they were picked partly because they had a community core on which government could build.

The Government's plan is to give residents – they are not referred to as tenants – more control over their lives. The main way of achieving this is tackling the fact that almost all Castlemilk's people live in public sector housing. Ministers believe that changing this will break down the estates' dependence on State benefits.

The Scottish Office thinks housing associations hold most promise of wresting the tenants from Labour-controlled Glasgow City Council, one of Europe's biggest landlords. Scottish Homes, the Government's housing association enabling body, expects to spend £4.7m in Castlemilk this year, out of a total £19m in all four partnership areas.

Private developers have dipped a toe into the housing estates – Tilbury, Woolwich Homes, Barratts, Miller Homes; all either plan or have already built or converted homes to sell at low prices. Others are waiting for the right opportunity.

The community representatives are suspicious of Mr Rifkind's motives and aired their views vigorously at a two-day gathering in Glasgow organised by the Scottish Office in the late spring.

"They are dividing the community," said some residents. "Housing improvements must go alongside economic regeneration if they are to get to the core of our problems", said others.

Mr Jim McCann is a long-time resident of Castlemilk and now works as an employment development officer – his first job for four years. "Poverty has to be the main focus," he says. "The way to reduce dire poverty is to increase income. That means jobs, better pensions for the old, and the handicapped." But the official partnership forum, chaired by a civil servant, has ruled out discussions of such "national policy" topics.

Two women from the Whitfield estate in Dundee complained that their hard work on the unsuitability of proposals for new roads on the estate had not been listened to by their partners.

City centre urban renewal can actually make the lives of these people harder. It costs £1.90 to travel to the new Tesco supermarket, which replaced a store closer to home. The women say the company's free buses "do not run at the right time of day."

The gathering was a salutary reminder that urban renewal must involve people as well as buildings. It is a lesson which was learned the hard way in the US, and still has to be appreciated in many areas of Britain.

By contrast, the Scottish Office approach displays an unusually humane belief in the power of ordinary people to influence their environment.

Hazel Duffy

URBAN DEVELOPMENT 12

Anthony Moreton discusses the Cardiff Bay development

International city in the making

AN unusual-looking structure, elliptical in shape, perhaps 20ft in height and 150ft along, covered in white plastic, has just arrived on the waterfront of Cardiff's docklands next to Associated British Ports' Pierhead building. It is the visitor centre for those interested in seeing what will happen in the development of some 2,700 acres of Cardiff Bay now taking place.

The contrast between the Victorian red-brick of the Pierhead building and the clean lines of the centre sitting outside its front door, which will open in four weeks, could not be greater.

The centre will have its home on the ABP land for the next five years. These are going to be crucial years for the success of the whole development, the largest undertaken in Europe after London docklands.

Mr Barry Lane, chief executive of Cardiff Bay Development Corporation set up in 1987 to mastermind the redevelopment of this run-down part of what was once the commercial heart of the Welsh capital, points to considerable achievements already. Days ago the bulldozers moved in to start work on a 45-acre site, Pengam Moors, that will provide houses, factories and offices. The Gooding Group, a Cardiff-based electronics concern with American and Japanese shareholdings, has plans for a gas-fired power station. A consortium comprising Beazer, Barratt and Westbury is putting up houses; so is Tarmac.

Other developments are being undertaken by Bradenham and Winbourne Hurst, two local concerns. Two weeks ago the Bay announced that three consortia – AMEC Regeneration, Crest Nicholson and Monk Consortium – had been selected to prepare detailed proposals for a 56-acre development costing more than £50m that would produce 500 houses and 90,000 sq ft of offices as well as light industry, shops and leisure facilities.

The jewel is that part earmarked for an opera house to rival Covent Garden

"What we are seeking in everything we do," he says, "within a well-planned development is to ensure we get the very best quality. That is our touchstone."

In addition to all this ABP itself, through its Grosvenor Waterside subsidiary, the largest single landowner in docklands, is to spend £150m developing 40 acres in the first phase on its 160-acre site. This will incorporate offices, houses, shops, restaurants and a 150-bedroom hotel.

The jewel, though, is that part earmarked for an opera house to rival Covent Garden, the famous Sydney building or the Met in New York, and a home for the world-famous Welsh National Opera House. The site is available: plans are being worked out to see how it can be funded.

Despite these achievements widespread criticism in Cardiff alleges that insufficient has been done to capture the undoubted investor interest shown in the area. It is felt that the boom years have passed without one of the big names that have shown interest in the area – American Express being only the latest – actually setting up shop within the Bay. Now that the country is in recession, critics claim, it will be much harder to get concerns to commit themselves to Cardiff Bay.

Part of the problem has been the work involved in guiding through Parliament a private Bill to build a barrage enclosing some 500 acres of the inner harbour. The Bay's strategy, clearly defined at the start and never deviated from, has been to use the long waterfront – eight miles – as the linchpin, using the enhanced land values to finance further developments elsewhere.

But water's edge development postulates a barrage and the £125m scheme ran up against vociferous, if minority, interests ranging from environmental groups to local residents and a small group of Labour MPs.

This opposition culminated in a House of Commons select committee whose report last May prevaricated. It authorised the barrage in principle but called for further studies on the issue of groundwater levels. The committee laid down that these studies should extend over a further year and that, following them, the Secretary of State for Wales should be the final arbiter on whether the barrage should go ahead.

Mr Geoffrey Inkin, chairman of the corporation, maintains this delay is no more than an irritant, that the work was in hand, and that the barrage would not have started in this further period in any case. The corporation hopes to seek tenders for the barrage next spring, given Welsh Office approval early in 1992.

Privately, though, officials in the corporation admit that piloting the barrage through the Commons by means of the necessary private Bill consumed so much of their administrative energies that other matters tended to be put on the back boiler.

Tony Andrews

Penarth Marina, part of the Cardiff Bay development area

Now, though, Mr Lane says, the corporation is about to start marketing itself in a big way. "We shall undertake a major marketing drive this winter, particularly aiming at the developers and the construction industry. That will take us into a new phase of activity."

Grosvenor Waterside has already begun marketing its site, according to Mr Freddie Watson, its director in Cardiff. "We are ready to start building next May but whether we do so depends on how the market responds to our promotion."

The fear that the Bay development may be affected by the recession is now a real one. The situation in London is too close not to be noticed.

In spite of this the planners are moving ahead with infrastructure schemes, the latest of which involves a light railway system or continental tramway. Cardiff Bay has never been seen as just an urban rebuilding programme; it is a plan to rejuvenate the heart of a capital city and create a vibrant international city.

Getting the traffic right is therefore essential as those who have moved round London's docklands know to their cost. Cardiff expects around 30,000 jobs to be created in the Bay over the next 20 years and getting to work and back home, as well as simply moving around, will be essential. The Bay has now called in Transport Planning Consultants, of Birmingham, to produce a report by next March on the implications of this growth.

A light-rail system, already being considered in Manchester, where the government has given financial aid, Sheffield, Birmingham and Bristol, is one answer – but only one. It would need a time-consuming private Bill in Parliament which can only be presented on a single day in the year, late in November. If Cardiff wants to go along these lines it needs to have made a decision well before then, hence the call for a report from the consultants by next March.

This is for the future. At the moment the Bay team is still engaged on creating the base from which this new international city will emerge. Three years on, a lot has been achieved, but there is much more to be done if Cardiff is to join that select band of cities whose names automatically come up when the movers and shakers are mentioned.

Kieran Cooke outlines the special problems of Northern Ireland

A time of 'great confidence'

WHEN, in the early 1980s, Robinson and Cleaver announced that it was closing down, the people of Belfast prophesied the end of the city. For years the old general department store opposite the city hall had been one of the landmarks of Northern Ireland's capital. It seemed that Belfast city centre, bombed out and derelict, had given up the ghost.

Yet less than 10 years on Belfast has one of the busiest city centres to be found in the UK. Londonderry, even worse affected by Northern Ireland's "Troubles" than Belfast, has been rebuilt and rejuvenated.

The housing situation in both cities has been completely transformed. In Londonderry a £65m shopping complex is being constructed by US-based developers, helped by government funding.

In Belfast, 120 acres along the river Lagan in the city centre is being developed by government and the private sector for housing, retail, office and leisure purposes.

"It's a time of terrific confidence here now," says Mr Richard Needham, Northern Ireland's Economy Minister who also has control over urban development. "Both Belfast and Londonderry have completely changed over the last five or six years. Now they can compete in terms of amenities with the leading cities on the mainland."

While the government might like to highlight developments in Northern Ireland as a victory for Thatcherite policy, the picture is more complex.

Mainly for local political reasons, the province did not share in the 60s' building boom and the new wave of town planning. This meant that in the 70s Northern Ireland had the worst housing problems in the UK: in 1975 one in four of the total housing stock in the province was judged to be unfit for habitation. In turn, the housing crisis in the province and the discrimination actively pursued by the ruling Unionist politicians was one of the main causes for the civil unrest which led to "The Troubles".

But the inactivity in urban development in the 60s did have one positive element. Belfast and Londonderry managed to avoid many of the mistakes of the 60s' planners. There are few tower blocks in either city. One, the Divis flats in Belfast – a complex which over the years became synonomous with violence – is being demolished. In Londonderry, the Rossville Street flats, an area of similar violent activity, have already been torn down.

Also, Belfast and Londonderry do not have the large tracts of open derelict land which have become one of the symbols of decay in many cities on the mainland.

But nonetheless by 1980, when the government was establishing its urban development corporations, the problems facing Belfast and Londonderry were huge. Terrorism and unemployment had torn the heart out of both cities.

Paradoxically, a change in terrorist tactics (albeit partly as a result of improved security) rather than the innovations of government policy, has been fundamental to the regeneration of Belfast and Londonderry. Though there are still occasional bomb scares in both city centres, the level of terrorist activity now – and the amount of damage caused – bears no comparison to 10 years ago. City centre car bombs are largely a terrorist weapon of the past. Even the government would reluctantly admit that without such a change of terrorist tactics, it would have been impossible to lure developers back into the city centres of Belfast and Londonderry.

In less than 10 years, Belfast has developed one of the busiest city centres in the UK and Londonderry has been rejuvenated

Mr John Russell, of Northern Ireland's urban affairs division, believes the urban development grants system happened at the right time. "The developers were there, but they needed encouragement."

Between 1984 and 1990 the government disbursed £45m in such grants. "The leverage we have achieved in Belfast has been good with about £3 of private sector funds for every £1 of government money," says Mr Russell. It is estimated that in terms of overall spending about £500m has been invested in Belfast city centre reconstruction projects over the past six years.

"The city centre grant tap has now been turned off," says Mr Russell. "Most developers now have to go it alone."

A third of Northern Ireland's 1.5m people live in Belfast. Forty per cent of people in the province work in the public sector. Living costs, particularly in regard to housing, are considerably lower than on the mainland. Those with jobs tend to have a higher proportion of disposable income than elsewhere in the UK. Once the first retailers arrived and the first city centre shopping complexes were built, the floodgates opened. The amount of development in Belfast – unusual in that most big retail developments have taken place within the confines of the inner city – is impressive. But though the centre of Belfast and to a lesser extent Londonderry have been reborn, there are critics of recent policy.

Unemployment in Northern Ireland, at 13.7 per cent, is still the highest in the UK. The jobs situation is worse now than it was even in the darkest days of the 70s.

While the core of Belfast has beeen revitalised, other, arguably more needy parts of the city, have declined. North Belfast has only 6 per cent of total retail space in the whole urban area: West Belfast – the worst area of city deprivation and a nationalist stronghold – has only 9 per cent.

The "trickle down" theory of wealth creation has not worked in West Belfast, if parts of which unemployment is as high as 70 per cent. In spite of problems of overcrowding, nationalists continue to move to the area, mainly to be "among their own". West Belfast contains 25 per cent of the city's working population – yet well over 40 per cent of the city's long-term unemployed.

Sinn Fein, the IRA's political wing which has considerable influence in West Belfast, accuses the government of having a cosmetic approach – bolstering high profile inner city development while letting surroundingg areas decay.

To counter this argument government – involved in an interterventionist policy far removed from the Thatcher ideal – has embarked on a number of schemes. "Making Belfast Work", unveiled in mid 1988, is aimed at stimulating economic activity and local enterprise – mainly in West Belfast – to increase employment opportunities. The project has a budget of nearly £100m over five years.

In some areas it has had success. Though Northern Ireland is ruled directly and in many instances there is little local democracy, special government-funded "Action Teams" have been working with local communities to start various small-scale economic enterprises aimed at regenerating particularly hard-hit areas.

The International Fund for Ireland, the international body which channels funds into projects in Northern Ireland, is working alongside government.

The government admits that the leverage it obtains from its grants in these more hard-hit areas of Belfast and elsewhere is not of the same level as in the city centre. Northern Ireland has a very special set of problems when it comes to urban renewal. At every level there are aspects of sectarianism and security to deal with. It is not easy to consider redeveloping areas known as strongholds of either loyalist or republican paramilitaries – and in which the security forces stand gun in hand at every corner.

THE VIDEO INDUSTRY

Tuesday October 30 1990

Almost unnoticed and unheralded, video has gradually developed into one of Britain's main leisure industries. It is likely to be worth a total of £2bn this year when video recorders and the programmes played on them are taken into account, writes Raymond Snoddy

A revolution in choice

IN ALL the debates about the future of broadcasting, new programme services and intensifying competition, one player usually gets overlooked – video.

Yet over the past decade, without any government intervention or official committees of inquiry, a major industry has continued to grow and establish new habits of viewing, *offering increased* scope and flexibility to the British love affair with the television screen.

In the UK alone the video industry is now worth more than £2bn a year at retail prices when both hardware – the video recorders – and software – the programmes rented and sold – are included.

"It obviously filled a need that the public had," says Mr Norman Abbott, director-general of the British Videogram Association, the industry trade association.

By 1981 there were 500,000 video recorders in the UK but now nearly three-quarters of homes have VCRs with units still going in at the rate of 200,000 a year, including replacements, and a small but growing number of two VCR homes.

Norman Abbott, director-general of the British Videogram Association

Earlier this month, the Arts Council announced that following a comprehensive feasibility study it was now distributing a wide range of videos on the arts to public libraries.

Mr Peter Palumbo, chairman of the Arts Council, said: "Video has revolutionised individual choice. Our new scheme to make videos available for home loan through public libraries, will bring stimulating and exciting documentaries on the arts within easy reach of *every household in the land."*

Part of the attraction of video has come from its dual function – the ability both to record off air the growing outcome of terrestrial and satellite television, and schedule it according to the viewer's convenience, and then the ability to play pre-recorded cassettes covering everything from feature films to keep-fit sessions.

Last year the rental market, almost exclusively dominated by feature films, was worth £576m at retail prices and there were over 1m rentals every day of the week at more than 20,000 outlets. However, the bulk of the business is concentrated on the 5,000 or so specialist, and increasingly professional, local video outlets. Rental is now becoming a mature market and the days of explosive growth are clearly over.

"This is the most difficult year we have had yet since video became established," Mr Abbott says.

Figures for the first half show a 3 per cent fall in rentals although the value of the transactions is up 1 per cent overall. For the year as a whole, there should be growth although it is likely to be in single figures.

One possible explanation is that around 2m homes now have access to subscription film channels either directly by satellite or through cable television networks.

Although the industry *acknowledges that competition* for the money – and the time – of the viewer can only increase, many believe that the satellite stations are probably helping video, at least for the time being.

Both Sky Television and British Satellite Broadcasting, the theory goes, are spending enormous sums of money advertising films which are available at an earlier date in local video shops.

Mr Abbott believes another positive factor is the greater diversity of films now being made by the Hollywood studios which tended in the past to concentrate on the 16-24 year-old American cinemagoer.

But if satellite and cable do take off, it will mean little real growth for video rental. Ultimately the video business in the high street is likely to be replaced by an electronic video store in the sky, enabling consumers to order videos electronically via satellite receivers at the push of a button. However, such a drastic technological change is unlikely to happen much before the middle of the decade.

The fastest growing sector of the video market is now "sell-through", the trade name for videos which are sold rather than rented. It was a sector of the industry that was nearly stillborn because of the traditional Hollywood suspicion of selling rather than leasing its "product".

Mr Steve Ayres of The Video Collection was a pioneer in 1984. By 1988 17m cassettes worth £170m retail had been sold in the UK. Last year the number had grown to 30m, worth more than £300m.

This year sell-through should account for sales of more than £380m, with some optimists looking for about £400m, although this will depend on how Christmas sales go. With typical prices of £9.99, videos are an increasingly attractive present for children.

Disney, through its video distribution arm Buena Vista, as part of a careful distribution policy, releases one full-length Disney "classic" each autumn for the Christmas market. This year it is *The Lady and The Tramp* and on past experience with previous Disney classics such as Sleeping Beauty, it *could sell more than 700,000* copies in the UK in the Christmas quarter.

All across Europe sell-through, with a wide diversity of titles and subject matter, is growing rapidly – feature films as well as special interest topics. In the UK many industry specialists believe that sell-through, more akin to book publishing than an extension of the movie business, could overtake video rental in terms of retail box office. And sell-through, unlike video rental, should not face direct competition from the explosion of television choice offered by satellite and cable.

An increasingly mature industry has largely solved two of its most pressing problems *of the early 1980s* – image and the "video nasty" problem, and to a slightly lesser extent piracy.

There have been genuine "video nasties" – videos such as Driller Killer, Cannibal Holocaust and I Spit On Your Grave. But they were few in number and have long since been weeded out of the legitimate video business.

Many in the industry may have thought it unfair to be the subject of their own special act of parliament, the Video Recordings Act of 1984. Most would now accept that even though the act places greater restrictions on what can be shown than virtually any other media – because it goes into *the home – the system of age* classification and the supervision by the British Board of Film Classification has been beneficial.

The battle against piracy will never be over, but by concentrating on the professional copier usually relying on masters stolen from cinemas or imported from abroad, the Federation Against Copyright Theft, the body set up to combat piracy of copyright on all audio-visual recordings, has pinned it down to what may be an irreducible minimum.

The BVA believes that pirate copies account for about 20 per cent of the rental trade, compared with about 60 per cent at the piracy peak in the early 1980s.

A further weapon in the battle against pirates has been the inclusion of a electronic signal on legitimate tapes to make them more difficult to copy.

A new challenge is on the way from Mr Alan Sugar's Amstrad which has launched a double deck video recorder on the market capable of direct copying in the way that has long been possible with audio tapes.

The BVA is relatively relaxed about the new development. It has always been possible to connect up two video recorders and copy a video cassette and the organisation concedes that it is in the end virtually impossible to stop domestic copying. The new video recorders are unlikely to be of much interest to professional copiers.

"Hardware has gained acceptance while improving in terms of technical sophistication. Competing formats have sorted themselves out and high levels of investment have gone towards professionalising the retailing of video software," say stockbrokers Hoare Govett in their review earlier this year of Video – The Book of The Future.

Particularly on the sell-through side, the industry is poised for continued growth, despite growing competition for the eyes of viewers.

IN THIS SURVEY

Editorial production *Gabriel Bowman*
Illustration *John Batten*

Has rental a future in the UK? Raymond Snoddy investigates

Obituaries are premature

IT WOULD be easy to write an obituary for the British video rental industry. It would acknowledge that it was a business that came from nowhere and flourished remarkably for a decade by offering a real measure of convenience and choice to consumers who until then had to make do with increasingly rundown cinemas and only three, later four, television channels.

Then the hours of broadcast television increased dramatically and along came satellite television delivering hundreds of films direct to the home on pay television channels, ending for ever the need to go out in the rain to hire a video and then remember to return it again next day. A clear case of an industry doomed to gradual decline because of technical change.

In fact, it is much too early to write the obituary of the video rental business and the outlook, at least in the short and medium term, is perfectly respectable.

It is probably true to say that the days of spectacular growth are over and that in satellite and growing cable networks the video shop has encountered its most direct and potentially formidable competitor. To make matters worse, many regular video renters, those who have a high appetite for entertainment, are just the sort of people who are likely to be in the vanguard of the move to satellite.

This summer, it looked as if the disaster scenario for video was starting to play itself out. There were rumours of declining rentals, the weather was hot and the World Cup grabbed the headlines and attentions of viewers. High interest rates were prompting a recession in parts of the high street. Business confidence in video was also shaken by the collapse of Parkfield, the once high-flying company, mainly because it over-reached itself in the video distribution market.

In fact, there is no sign of a collapse in rentals. Figures for the first half of the year show a 3 per cent drop, although in value there was a 1 per cent increase.

Mr Norman Abbott, director-general of the British Videogram Association, the trade organisation, expects real growth for the year, even if only single figure growth, following total video rentals last year worth £576m at retail prices.

A much higher growth rate of between 20-25 per cent is forecast for the video sale or sell-through market which is markedly different from the rental market and will be much less affected than rental by growing competition from cable and satellite. The sell-through business is much closer to publishing and depends on consumers' desire to collect and keep as well as view.

Satellite may indeed put a ceiling on the growth of video rental, particularly if the current levels of satellite growth are maintained towards the more than 3m homes each of the big satellite television operators – Mr Rupert Murdoch's Sky Television and British Satellite Broadcasting (a consortium in which Pearson, publishers of the Financial Times, has a significant stake) need to be profitable.

Ironically, although the nearly 1m homes now subscribing to a satellite film channel

Satellite film channels are likely to provide a boost for video rental

will probably rent fewer videos, at least for a few more years, the satellite film channels are likely to provide a boost for the video rental industry.

Enormous sums are being spent by BSB and Sky advertising films thereby, the industry hopes, driving some of the millions of consumers who do not have satellite receivers into their local video shops. Indeed, ITV has also been promoting films heavily in order to counter the satellite film channels often advertising films available at a later date on television but already to be found on video shelves.

Curiously, video shops often find that the showing of a film on television, which might be thought likely to end its useful life as a rental product, can stimulate greater interest among those who were unable to watch it and forgot to record it themselves.

The video rental industry has at least in theory a large still untapped market which generic advertising might influence. About half those owning VCRs rent less frequently than once a year and only 28 per cent rent a video once a week.

This, according to the Video Software Dealers Association, compares with the 80 per cent of VCR owners in the US who rent regularly, 74 per cent of German owners and 50 per cent of Australian.

After reaching a peak of 38 video rentals per VCR owner a year, Mr Hamish Dickson of stockbrokers Hoare Govett believes the average will fall to 29 this year and 28 in 1991. Apart from the obvious need for generic advertising to try to increase the pool of regular renters in the population, the video industry clearly needs to inform the public more about what the industry has to offer.

The industry is clearly becoming more professional as large companies such as Citivision through their Ritz chains improve the standard of service offered to the public. There is still however, according to market research, enormous confusion in the public mind on when films become available along the competing methods of distribution. Many people believe, wrongly, that films become available on video and satellite at the same time.

In fact, films usually come to the video rental shops about six months after release and in most cases are exclusive to the video shops for six to nine months before they move on to the satellite pay television "window". Conventional television follows in the third year of a film's distribution life.

Apart from the chance to rent films as soon as possible after theatrical release – and that is unlikely to change in the foreseeable future because of video's large contribution to the overall revenues of a feature film – video has one enduring advantage. The video rental shop, particularly when it is stocked with a large number of copies of the hit movie that most people want to see at a particular moment, allows consumers to choose the film of their choice and "schedule" it when they want to.

In the longer term the pressure on video rental is likely to grow from both the proliferation of satellite channels and from electronic video shops in the sky.

There are plans in the US to put up a satellite system with more than 100 channels using new digital compression techniques to squeeze four channels into the bandwidth now capable of carrying only one.

Mr Mark Fowler, former chairman of the Federal Communications Commission, is an enthusiastic supporter of just such a project – Sky Cable. He envisages 20 channels devoted entirely to movies with staggered start-times so that the viewer is never more than 10 minutes away from the start of a new film. Mr Murdoch, one of the backers of the Sky Cable project, has suggested recently that it may be on "the back burner" because of the large debt problems of many media companies.

Others companies, such as Entertainment Made Convenient – EMC³ – are working on systems that use satellites and compression techniques to download videos individually chosen by consumers at great speed. The hope is that before long a consumer will order a video chosen from a catalogue and be watching it within 10 minutes. To deal with the piracy problem, the film copy automatically wipes itself out during the second viewing.

Another possible competitor to the video shop could come from using the transmitters of conventional broadcasters in the middle of the night to download films and other specialist programmes. Ferroglen Research of the UK has already developed a unit the size of the paperback novel that sits on the VCR and emulates the VCR infra-red controller. In this way the VideoLink system controls the VCR to record special material broadcast in the middle of the night.

The day of the electronic video store will clearly come but is probably still some way off. Proving that such systems work technically is one thing. To get new equipment into millions of homes is quite another.

Old-fashioned technology – well-stocked libraries of videos to rent – clearly has a lot of life left in it yet.

CAMCORDERS

Thinking small is a winner in Japan

VIDEO industry is booming by thinking small. Ever since Sony Corporation's lightweight compact video recorder, the CCD-TR55 Handycam, burst onto the Japanese market in June 1989, the video industry has been developing smaller and lighter products which appeal to a wider range of consumers.

Though they are smaller, the new compact video recorders, called camcorders, have not sacrificed any of the features found in the older, bulkier models. Most of the compact models are compatible with various tape sizes and fully automatic, offering a variety of editing functions.

Sony gained a head start with the CCD-TR55 "passport size" and has not let up since. In July, it announced an even smaller and lighter version of the camcorder, the CCD-TR45, featuring a zoom lens, a high shutter speed and a multi-angle viewfinder, which weighs in at only 690 grams.

At the same time, it announced a top-of-the-line version of the camcorder, the CCD-TR75. This offers advanced functions such as better resolution quality and an eight-power zoom system.

Not to be outdone, Sony's arch-rival, Matsushita Electric, introduced a 750-gram camcorder, the NV-S1 or Bremby, which features a digital stabiliser that, in effect, reduces the

Sony gained a head start and has not let up since

on-screen blurring and jiggling effect which a hand-held video recorder often produces. Sales have not been sluggish. Matsushita says it sold all the 30,000 camcorders it produced in June.

However, Matsushita's hopes of becoming No 1 in the camcorder market do not rest on the Bremby. Mr Tsuzo Murase, the company's senior managing director, admits Matsushita will not be able to pass Sony "in one stroke" with its new camcorder.

Moreover, Matsushita faces supply shortages while Sony, whose Japanese camcorder market share in June was over 50 per cent, has more than enough.

JVC, the Matsushita affiliate which produced the VHS videotape recorders that knocked Sony's Betamax out of the market a few years ago, has produced a 750-gram camcorder, nicknamed "the idol", which is fully automatic with autofocus. Another JVC camcorder, sure to appeal to accessory-mad video buffs, is the SCF-100 which features a video deck, digital three-inch colour TV monitor and a tuner, all of which can be assembled into myriads of combinations or used separately.

Japan's camcorder boom has revived a flagging domestic consumer electronics industry. The VCR market has become so saturated – four in five Japanese homes are thought to have a VCR – that Matsushita admits camcorders have arrived just in time. However, the market for VCRs is not being entirely neglected by Japanese manufacturers.

Sony's half-inch videotape recorders, metal tape Beta videotape recorders and their super-VHS model, pioneered in December 1989, represent all three existing formats of home video technology.

However Ms Lih-Lih Lin, Sony's marketing spokes- person, says camcorder sales are rising slightly faster than VCR sales are falling. "The VCR has traditionally been a medium of playback only," she says. "Personal video systems such as the camcorder rep- resent a total expansion of the video market."

Some innovations are still being added before the first VCR museum opens its doors. Matsushita's latest VCR includes a built-in satellite broadcasting tuner which allows the user to tape one satellite channel while watching the other.

JVC's newest VCR has been designed to be compatible with various kinds of videotapes, including the new super-VHS tapes. According to Ms Lin, Japanese households with both a VCR and a camcorder may well become the norm.

One problem with camcorders, however, is exactly the technology which has made the market soar. Ms Gayle Farrell, a Sony corporate communications spokeswoman, says the reduction in size of the tape-transfer system in the camcorder has made the light weight and small size of Sony's camcorders possible. Sony engineers, no slouches at miniaturisation, made the cylinder head of the tape-playing network smaller without sacrificing quality or stripping other features from the camcorder.

However, adapting the camcorder technique to other equipment could prove more difficult. That potential drawback has not prevented full-scale marketing campaigns by Japan's two biggest makers.

Sony has been stressing the "passport size" of its camcorders with a spate of commercials featuring a cute Japanese girl travelling overseas and a gruff customs official.

Meanwhile, Matsushita has hyped the holiday angle by inventing a "Bremby dance" and by featuring the camcorder at entertainment events.

It remains to be seen if anybody can steal the show.

Mr Katsuaki Murayama, deputy director of engineering at NHK, Japan's national broadcasting network, says the camcorders on the market today are quickly approaching the broadcast quality of a fully-equipped studio.

NHK plans to miniaturise its video equipment with a fully-integrated, digital videotape recorder. The new system wil be more portable than the bulky units currently used and will mean NHK will no longer have to use different video formats in its day-to-day operations.

Mr Yutaka Masuko, of NHK, says the broadcasting network reckons it will take about five years for the new system to be completely operational.

Sony has not been content to let its pioneering Walkman languish in the wake of the video technological boom. Its Video Walkman Compo, introduced in May, features the world's smallest and lightest (490 grams) video deck, monitor and tuner/timer unit, all of which can be used independently and all innovations spawned by camcorder technology.

Having gambled once on defining a video format and being proved wrong with the failure of the Betamax, Sony has now succeeded in drawing the crowds to the camcorder which it launched on the world stage. It remains to be seen, however, if anybody can come along to steal the show.

Trevor Greene
Tokyo

(Above) An operator using a JVC super-VHS KY15/BRS 410 camcorder and *(below)* the pace-setting Sony Handycam

JAPAN

Slowdown is masked by growth in turnover

"CUSTOMERS here are fashionable and not interested in Japanese movies," says a young clerk at Wave, the "hip" audio-visual store in Tokyo's Roppongi nightlife district.

Out in the suburbs, the sentiment is not much different. Mr Takeshi Yoshida, 52, a trading company employee from Chiba Prefecture, says: "I almost never rent Japanese videos. There isn't much choice."

Enter a typical Japanese video rental store and the racks of American, and to a lesser extent European, films dominate the meagre shelf space devoted to Japanese products. An occasional home-produced hit such as Juzo Itami's "A Taxing Woman", which topped the video rental charts in 1988, gives some hope to the beleaguered Japanese film industry, but except for animation and some other niches, tastes are more attuned to western films.

That goes a long way to explain Sony's purchase of Columbia and Matsushita Electric's ongoing talks to acquire MCA – the constant battle among Japanese distributors to gain rights to foreign films to be put on video.

Overall, the Japanese video industry is doing very well, with turnover (including sales and rentals of videocassettes and laser disks) up more than 100 per cent in 1989 to an estimated Y370bn, according to Nomura Securities. The huge sales growth masks a slowdown in growth of VCR purchases and openings of video rental stores. After several years of strong growth in VCR sales, annual volume seems to be peaking out just under 8m units, according to figures supplied by Jesus L Duarte, a leisure analyst with W.I. Carr (Overseas) in Japan.

The boom years for video rental store openings seem to have faded as well. Between 1987 and 1989, the number of registered video rental stores soared from around 3,000 to more than 10,000. Mr Duarte's figures show a current total of about 12,000, a considerable

Demand for foreign movies stems from the poor quality of Japanese films

slowdown from the peak in 1988 when about 5,000 video shops opened their doors.

Many aspects of the Japanese video industry are hard to track to the number and variety of players involved. Besides obvious competitors such as major film-makers and screen operators Toho and Toei, electronics manufacturers Sony, JVC, Toshiba and Pioneer, a number of independent producers, distributors and even the huge general trading houses all fight for a slice of the video business. The major Hollywood studios are also big players in Japan, often through joint ventures with local distributors.

The Japan Video Association, an industry group which among its duties tracks growth figures, had 54 members as of the end of 1989. But as with many other industry associations in Japan, foreign companies are not members, so the figures under-represent the total market by as much as one-third, according to Nomura, and do not give a true picture of Japanese consumers' demand for western videos.

Without distribution channels of their own, Hollywood studios sell the rights to local firms, which add Japanese subtitles and then have the arduous task of peddling the videos to the 12,000 stores around the country, most of which are small and independently run. Except for Wave and the recently opened Virgin Megastore in the Shinjuku district of Tokyo, the super-store approach to the audio-video has been slow to reach Japan, mainly because the space is not available and, if it were, it would cost too much.

While the rental side of the video business has so far been dominated up almost exclusively by the small, speciality stores, the retail sales end has been changing rapidly.

An official at Pony Canyon, a leading Japanese video distributor, says rental shops have all but abandoned selling videos, while department stores have recently entered the business, as have record, toy and electronics shops. As specialised video stores concentrate on rapid turnover of their rental stock to depreciate the purchase cost, sales have never amounted to much of their business, according to Mr Duarte.

Pony Canyon, which has among its clients Disney and RCA Columbia, claims the basic demand for foreign movies stems from the poor quality of Japanese films. "The biggest part of the business is in action and horror movies, in which Japanese producers have traditionally been quite weak," a company official says.

She adds that Japanese movies which do poorly at the box office tend to do worse on video. This has led to the creation of a new type of movie in Japan, produced expressly for the video market. Some of these "made for video" movies have been hits lately, according to Pony Canyon. The producers of these movies aim at a narrower market and can better satisfy Japanese consumers' demand for action and horror movies.

The one segment of the Japanese video industry which is not dominated by western products is the market for laser disks. But the Japanese film industry's share is even smaller, for most of the laser disks sold in Japan are used for *karaoke*, the popular sing-along activity which has spread from Japan into Asia and is now on the rise in the US and Europe.

According to the Japan Video Association, almost three quarters of laser disks sold in 1989 were for *karaoke* machines, or almost Y80bn worth of soothing images of beaches, sunsets and waterfalls to provide the backdrop for *enka*, the slow ballads preferred by white-collar workers. The video association's figures may under-represent sales of western films on laser disk, but it would be hard to displace *karaoke* in the hearts of the Japanese.

Seth Sulkin
Tokyo

هكذا من الأصل

"Video rental has been a pretty easy market until this year. But it will be harder for us from now on and we will have to tough it out in the marketplace"

A decline may follow 10 years of steady growth

Retail market catches a cold

THE HOT summer weather, the high level of interest rates, the poll tax and the World Cup travails of Gazza (an England footballer – in case any judges read this) have all combined to deflate the video rental market this year.

After 10 years of steady growth, the video rental market experienced only a slight increase in the first half of the year and may, for the first time, show a decline in real terms for the year as a whole.

The malaise in the market has led to the demise of several independent video rental retailers. Confidence has been further dented by a series of mishaps among the larger publicly-quoted companies.

Earlier this year, Parkfield, a fast-growing conglomerate which among other diverse interests owned the 500-outlet Hollywood Nites video retail chain, collapsed under a mountain of debt, sending disruptive ripples throughout the industry.

Although Parkfield's problems were largely caused by the mismanagement of its unrelated video "sell-through" business, the company's collapse hit other video rental companies such as Castle Communications, which was forced into making substantial provisions against possible losses.

Castle also reported that its video rental business had "hit a brick wall in the middle of the year" when demand for rented videos collapsed because of the hot weather.

The collapse sent disruptive ripples through the industry

Worries about video rental companies' depreciation policies also flared up after Xtra-vision issued a profits warning earlier this month. The announcement heightened concern about the accounting policies of Cityvision, the leader in the rental video market with a 15 per cent market share. Although its 700-odd Ritz video rental shops appear to be trading healthily enough, Cityvision's share price has slipped heavily to less than half the level it attained at the beginning of the year.

Mr Norman Abbott, director general of the British Videogram Association, says: "Video rental has been a pretty easy market until this year. But it will be harder for us from now on and we will have to tough it out in the marketplace. It has come as quite a shock to some people."

But although the current mood may appear gloomy, Mr Abbott maintains that the longer-term prospects for the sector still look good.

Most of the industry's woes appear temporary in nature and with the end of the World Cup, the cooling of the weather and the recent reduction in interest rates, there are grounds for believing that demand will pick up again.

Mr Abbott also believes that the video recorder market will continue to grow, leading to increased demand for video rentals. At present, about 14m homes have a VCR recorder, representing 65 per cent of the total. Although the growth in the market for first videos appears be slowing, there is still apparently a healthy demand for second videos in many homes; almost 10 per cent of video-owning homes have two.

The video rental market will be helped by the improving standards among its major players – as the industry sheds its image as sleazy purveyors of pornography – and a forthcoming multi-million pound campaign by the BVA will also promote the healthy virtues of taking home the latest blockbuster.

The healthy virtues of taking home the latest blockbuster

It has, however, proved difficult to co-ordinate such a campaign because of the fragmented nature of the industry and the diverse interests of its members. There are about 25,000 video rental outlets, ranging from about 6,000 dedicated video rental outlets to thousands of small local stores on street corners and garage forecourts which stock a few videos.

But although there are undoubtedly longer-term opportunities, there are also longer-term threats. The spectacular growth of the video "sell-through" market in the past few years has partly been to the detriment of video rentals.

And the mushrooming of satellite dishes and the burrowing of cable links also come as indirect competition to video rentals.

There is also some evidence to suggest that as the market for video recorders matures, then the demand for the video software will diminish. A similar process has already been seen in the relationship between hardware and software suppliers in the audio and computer industries.

For example, Marketing Strategies for Industry, in a report on the video software industry,* discovered that in 1984 the average VCR owner would rent 38 video titles a year but that this had decreased to an average of 24 by 1989.

Over the past decade the video rental market has grown from about £50m in 1981 to £550m in 1989. But that healthy rate of growth looks like being a bit less impressive in the years to come.

**Video Software. Marketing Strategies for Industry, 32 Mill Green Road, Mitcham, Surrey. CR4 4HY. Price £75.*

John Thornhill

SOFTWARE

Films open window of opportunity

THE BIG American studios dominate large sectors of the video market. They produce the "hit" films and market them. Most have their own video distribution companies to exploit their films through the range of "windows", including video, the biggest box office of them all.

The US video software market alone is worth more than $10bn a year to the film industry, about a quarter of it from sell-through.

In the UK companies such as CIC Video, a joint marketing and distribution vehicle for Paramount and MCA Universal, and Warner Home Video are never very far from the top of the video hit parade.

CIC has had some of the all-time video hits such as E.T. The Extra-Terrestrial, Back To The Future, Beverly Hills Cop and Raiders of The Lost Ark. Warners has weighed in with hits such as Police Academy, Lethal Weapon and Gremlins, while Crocodile Dundee from CBS/Fox was one of the biggest releases ever on UK video.

Being the distribution arm of a large Hollywood studio, particularly one producing blockbusters, gives a video company an enormous head start and flexibility over how a title should be marketed.

The flexibility that integrated distribution brings

Independents, by comparison, have to bid on the open market for the rights to films and then make the best of what they can get. Some of them, however, make quite a lot of what they can get. Vestron, the UK independent, now owned by HTV, the ITV company, has sold more than 1m copies in the UK of the film Dirty Dancing.

Earlier this month, in an example of the flexibility that integrated distribution brings, Buena Vista Home Video, which distributes films from the Disney studios, announced that Pretty Woman, the top film of 1990, would go straight from the cinema, where it has grossed more than $315m worldwide so far, to sell-through.

The cassette of the Touchstone film will go on sale on December 1 at a retail price of £12.99 aimed at the Christmas market – the same time as it becomes available on video rental.

Mr Phil Jackson, general manager of BVHV, says: "This film has been driven by huge word-of-mouth, making it one of the most eagerly anticipated video releases of all time. Its storyline and quality have touched emotions in a wide range of people who will want to buy the video to watch it again."

Mr Jackson denies that the move will undermine the rental business. "We are totally committed to rental," he says.

BVHV insists that it will take decisions on when to bypass the separate rental window and move to early sell-through on a picture-by-picture basis. It argues that the rental business will not suffer as a result.

The rental trade, Mr Jackson says, will be able to buy cheap copies of Pretty Woman to stock and will end up making more money than it otherwise would because of the high awareness of the video generated by widespread advertising of the sell-through cassette.

It is also "a chance for the rental trade to increase its presence in sell-through".

This autumn Buena Vista has released Lady and The Tramp, the Disney classic, as its Christmas offering on sell-through.

"It's number eight on the rental charts as well," says Mr Jackson.

Last year Warners released its hit film Rain Man on the rental and sell-through markets simultaneously and the rental trade appears to have done quite well out of the process. There is little opposition to the move to early sell-through, as long as it involves only a small number of key films which are also well promoted.

Mr Iain Muspratt, group managing director of the Home Entertainment Corporation, a company in all aspects of the video business from rental and sell-through to mail order, believes that the two sides of the business – rental and sell-through – are separate but can be complementary on occasions so long as the interests of the rental stores are not ignored.

Despite Rain Man and this month's Pretty Woman announcement, it seems unlikely that the separate rental window is about to be wiped out. The main Hollywood distributors seem to be reserving the tactic of switching straight to sell-through only for the special movie where the producers are convinced that they can have it both ways and that early sale will not wipe out rental revenues.

It is likely, however, that in more cases the length of the exclusive rental window could come down to four to six months rather than the more usual 12 months before sell-through and satellite pay television begins.

More typical is the experience of US distributor MGM/UA Home Video, which has recently set up its own retail sales division. Its first release is A Fish Called Wanda, the John Cleese comedy, which went straight to the top of the video rental charts on release and has remained in the charts for more than a year.

At the beginning of this month the video was released for sale at £9.99, at around the same time as it was shown on BSB.

An enormous national promotional campaign was launched to boost the cassette, including commercials on ITV, Channel 4 and TV-am and two joint television campaigns with W.H. Smith and Woolworth.

By Christmas it is expected that A Fish Called Wanda will have sold more than 200,000 units, including the tapes sold to the rental trade.

CBS/Fox Video is unusual among big Hollywood studios, because as well as releasing films from Twentieth Century Fox, it has also had, since 1987, an expanding presence in the sell-through market.

Wanda has remained in the charts for more than a year

In part, the difference is accounted for by its ownership – a 50-50 joint venture between CBS, the US network television company, and Twentieth Century Fox Film Corporation.

Next year CBS/Fox Video will release 39 rental titles of which 26 will be from Twentieth Century Fox and CBS. From the CBS end of the business there come videos on the history of flight and World War 11.

In 1991 the company will be issuing videos on the Vietnam War.

But a wholly-owned American company such as CBS/Fox is also versatile enough to be responsible for the Official Football League series of videos and Genius, the George Best video autobiography.

Raymond Snoddy

Raymond Snoddy looks at the success of "sell-through"

The engine of growth

THE REAL star of the video industry at the moment is "sell-through", the sale of video cassettes on everything from Bill And Ben The Flowerpot Men to famous battles of the Second World War or how to fix your plumbing.

Although feature films from the libraries of the Hollywood studios probably still make up the largest individual slice of the sell-through market, there are also significant businesses being created which supply children's programmes, music, sport and keep fit, how to ... and specialist interest videos.

From a standing start towards the end of 1984, sell-through has seen explosive growth and last year amounted to a £300m business in the UK at retail prices. Predictions for this year range as high as £400m but the outcome is more likely to be in the £360-370m range.

"Sell-through will be the real engine of growth. It is in this field that the majority of new investment opportunities is likely to arise," stockbrokers Hoare Govett argued in a study of the video industry published earlier this year.

"The volume of units sold will continue to rise dramatically as the product gains increasing acceptance in the home and as more applications are found for the software," Hoare Govett added.

In particular, the industry hopes that more and more consumers will see video cassettes as the visual equivalent of a book, buying and collecting them in ever-growing numbers and building their own domestic library of titles. Even after films have been repeatedly shown on television, demand does not seem to disappear from people who forgot to record a particular programme onto a blank tape, do not know how to set a video timer or want a proper copy with a professional label.

According to the third quarter Gallup survey of the video sell-through market, CIC is just marginally in the lead with a 12 per cent share of the total market, ahead of Video Collection, the pioneers in UK sell-through, with 11.9 per cent.

The big CIC sell-through titles include Indiana Jones and the Last Crusade, The Land Before Time and, in the keep-fit stakes, Beginning Callanetics.

To counter Callanetics, the Video Collection offers Jane Fonda's New Workout and through its deal with Thames Television, the animated feature film The BFG for children.

"B titles" may find they are squeezed from the shelves

BBC Video, Gallup found, is in third place with an 8.9 per cent market share with the help of French and Saunders: The Video, Blackadder and Dr Who.

Video is important to BBC Enterprises, the commercial arm of the corporation, and it accounts for annual sales in the region of £20m.

BBC Videos, distributed by Pickwick, according to Gallup the leading distributor with a 22.1 per cent market share, range from children's programmes to sport, comedy and drama.

Apart from Bill and Ben, there is everything from The Magic Roundabout to Captain Pugwash and Andy Pandy in the BBC library. Postman Pat and Fireman Sam are important but Edd The Duck is particularly big this year.

Blackadder has sold more than 1m copies across four titles and decade by decade Match of the Day compilations have been selling well but not so well as the official video history of Liverpool Football Club which has already sold more than 150,000 cassettes.

Mr Paul Holland, marketing manager of BBC Video, is certain that the video sell-through industry is here to stay, like the recording industry.

"There will always be new material coming through. I can't see it ever getting smaller than it is today," Mr Holland says.

Away from the feature film market, different companies specialise in different sectors of the market.

Channel 5 Video Distribution, a joint venture between Heron and Polygram, the record company, specialises in music and comedy-videos of groups such as Dire Straits and stars such as Elton John and comedian Lenny Henry at £9.99, the archetypal sell-through video price.

Mr Peter Smith of Channel 5 believes there will be increasing specialisation in the market with companies playing to their particular strengths.

The feature film market in particular is increasingly polarising between blockbusters and "B titles". Mr Smith believes "B titles will find it almost impossible to find space on the shelves."

Mr Dick Jones at DD Distribution is very specialist indeed and the company has build a solid business out of aviation and military videos. The West London company which sells and rents by post cassettes on everything from Second World War combat footage to the latest in aerospace technology claims to be the largest of its type in Europe. In contrast to the hundreds of thousands of sales in the feature film business, here a 5,000-6,000 sale for a cassette is good business.

At the opposite end of the scale, Mr Ivor Schlosberg, the Pickwick chairman, has an exclusive deal with Abbey Video to distribute its Ninja Turtles tapes. Before too long, that could mean 2m cassettes.

Pickwick, a company in which Pearson, publishers of the Financial Times, has a 20 per cent stake, has been building up its own video productions although Gallup ranks it in the non-music video market at number 10 with a 3.3 per cent share, just behind the Virgin group.

Mr Schlosberg is going for the higher margins involved in own label videos, including animated classics for children, and sports videos on the history of Glasgow Rangers and Celtic and of the Barbarians rugby team.

Pickwick is now busy taking the British concept of video sell-through into continental Europe through acquisitions in Denmark and France.

Censorship and the drive to improve a tainted image

They're not so nasty now

LOOKING BACK at the video "nasties" scandal of the early 1980s, what is interesting is not so much what they were or how they were eradicated from distribution, but rather the effect they have had on a growing industry. The video "nasty" has long been dead but its legacy continues in the way politicians and the media have used the "nasties" to further their own cause – pro- or anti-censorship, for example – and the way in which some sectors of the public continue erroneously to perceive video as "nice but naughty".

When the British Videogram Association, the video distributor body, draws up details of its proposed £10-15m generic advertising campaign later this year, it is partly video's tainted image which it hopes to dispel, as well as shoring its defences against predatory media such as satellite and the possibility of recession.

The main aim of the campaign will be to make video rental a less fragile business – one that suffered a 20 per cent downturn at the height of the summer – by widening its narrow blue-collar audience base. One reason why potential highbrow or upmarket renters are staying away, it is argued, is the lingering aftermath of what was regarded in 1983 as little short of a national scandal – the easy access to lurid titles depicting gross violent and sexual behaviour.

Mr Norman Abbott, BVA director general, believes that the term video "nasty" can be confined to 40-odd titles which were listed until 1985 by the Director of Public Prosecutions as possibly contravening the Obscene Publications Act. The problem for the video industry today is that no-one outside the industry has imposed similar restraint on the term's usage – it has entered the realm of word-association in the public's sub-conscious and is exhumed when the tabloid sub-editor deems it fitting, or when the caring politician wants to score an easy vote. The media rehash the old chestnut that there is direct causality between on- and off-screen violence, and the moral majority responds by thinking that "you are what you rent".

In fact, those videos and the people who distributed them have nothing whatsoever in common with the legitimate industry either then or now. To draw an analogy, it is as if the Meat Marketing Board were confronted with "Mad Cow" headlines four years after stricter slaughtering measures had been implemented.

As recently as last month Mr Neil Kinnock, the Labour leader, in the aftermath of the latest child abuse scandal, promised the electorate that he would rid the UK of "video filth". The problem with statements like this, and the comments uttered by the Prince of Wales on the opening of the Museum of the Moving Image in 1988, is that they reflect at best an outdated, and at worst an ignorant, view of what the video industry is really like.

"Prince Charles talked then of video nasties and their effect as if they were as prevalent today as three or four years earlier," says Mr Abbott. "People who don't go to the cinema often or rent videos still think this is a problem."

Anyone who gives the video industry more than just a cursory glance will see ample evidence to suggest that it does take a responsible attitude to what it releases and how.

Videos are more harshly censored for home viewing than for cinema exhibition; 15-certificated films are sometimes upgraded to 18-certificates, all 12-certificated films are upgraded to 15 on the basis that the new certificate could become a "dumping ground" for films containing four-letter swear words, no film is advertised at the beginning of another which has a lower certificate, the BVA's Video packaging Review Committee and Video Advertising Review Committee meet every week for self-censorship of all video advertising and sleeve design and the Video Standards Council has been set up to implement a Code of Practice for retailers and distributors.

Videos are more harshly censored for home viewing than for cinema exhibition; many films are recertified because of four-letter words

It is a far cry from the industry depicted in the Daily Mail in a leader dated June 30 1983 (at the height of that paper's Ban the Sadist Video Campaign) which said that: "The video trade is incapable of regulating itself. There's too much money involved."

With hindsight, the second half of that statement is partly true in laying blame at the door of those responsible for the root cause of the problem. The 40-odd video "nasties" were old foreign exploitation films picked up for peanuts at foreign film rights markets by cowboy entrepreneurs who could see a vacuum in the market and filled it – with immense financial gain. If final blame must be apportioned, then it is in the amount of time it took for the government to tighten a legal loophole, forcing those responsible to look elsewhere for quick bucks.

It was not that the video industry could not regulate itself – it was not allowed to. The BVA had a self-regulatory system ready to run in 1982, similar to the way the film industry regulates itself through the British Board of Film Classification – a system which has never once fallen foul of the courts. The government took matters under its own belt, however, by announcing a general election which included legislation against "nasties".

The resulting Video Recordings Act took until 1985 to be implemented, by which time the offending articles had long been removed from video dealers' shelves for fear of the more severe penalties of the Obscene Publications Act. The reason the Mail called prosecution under the OPA "like trying to mop up a sea of filth with a scrap of bath sponge" was that, although more harsh than penalties meted out by the VRA, the OPA was an unpredictable weapon. What some juries deemed "liable to deprave or corrupt" was laughed out of court by others.

But then, of course, there were, and still are, political motives in determining what is "suitable for viewing in the home" (Video Recordings Act 1984). The clampdown on home entertainment is seen by Tory voters as addressing problems in the home like the dissolution of the family unit, and it does not need to cost the public purse a penny piece, as is the case with the Video Act.

"Whenever politicians need a new bandwagon, they give video a shove and climb aboard," says Mr Abbott, "and the cinema, industry and media are happy to join in because we're competitors to their exploitation of film."

Another reason for video being singled out as the Aunt Sally of the home entertainment industry could be the strengths which it has for so long been trying to hard-sell to the downmarket public. "The printed word and broadcast TV have a lot of serious content but video is seen as being entirely frivolous like candy-floss – no-one will miss it and who really needs it? And if no positive good is seen but only potential harm, then the feeling is that it could be abolished altogether," says Mr Abbott.

Whatever the reasons behind it, there is no doubt that the video "nasties" furore has had far-reaching and damaging consequences on an industry which prides itself on growing in 11 years to nearly £1bn in worth and with an attractive employment record.

"It's hard to put a figure on what business has been lost as a result of the 'nasties'," says *Mr Abbott, "but it's one reason* why more than half the video owners are put off renting. They – especially the affluent, better-educated sectors of society – think that what was freely available in the first few years still predominates. It's like racial stereotyping; no matter how much a Scot argues, he cannot change the perception that the Scots are mean ... the damage has been done and it's incalculable."

The way forward, then, is better to advertise the fact that video is consumer-friendly. Coming up with an equivalent of the "Go to Work on an Egg" campaign is the first step, but time will tell whether it will be enough to dispel the illusions surrounding the industry's own salmonella crisis.

Peter Dean

THE SELL-THROUGH MARKET

How Steve Ayres collected

THE PHONE started ringing the morning that Mr Steve Ayres launched his business. For a while it hardly stopped ringing.

The UK industry had on the whole thought his idea – that you could *sell* people videos of old movies languishing in the archives – completely crazy. Everyone knew that videos were for renting and anyway the film business had traditionally liked the degree of control that went with holding on to the master negatives and leasing copies out for exhibition and rental. Copies of newish films were available for purchase on cassette, but the prices were so high that few were sold.

Mr Ayres, who had spent 10 years in the record business with CBS, knew the strength of Britain's retail distribution chains and how consumers bought and collected music and books.

"There was no reason, as VCR penetration grew, that they wouldn't buy and collect videos," Mr Ayres says.

Around the same time Mr Paul Levinson, chairman of Prestwich, the leisure group, had been buying rights to old films and cartoons.

So it was that on September 16 1985 Mr Ayres launched under the Prestwich banner The Video Collection – a motley group of 50 titles – cassettes for children such as Top Cat, The Flintstones and Yogi Bear and feature films *such as John Wayne's The* Quiet Man and the Doris Day comedy Young at Heart.

They were to be sold at £6.99, the sort of price that feature films had never been sold at before, in a exclusive deal with Woolworths.

"I wanted to blow people's socks off," says Mr Ayres, who was also once managing director of MGM/UA Home Video, and that was more or less what he did.

What seemed at the time a large number – 100,000 cassettes – were sent to Woolworth branches all over the UK for the first day's trading of The Video Collection.

At about 11 o'clock that morning the Portsmouth branch of Woolworths telephoned to order more after selling 37 cassettes since opening. Then the Edinburgh and Belfast branches called with similar orders and Mr Ayres knew there was a business in what became known as the sell-through video market.

"They were running and flying off the racks and shelves," says Mr Ayres. "And that was when our problems really started."

The Video Collection had thought it might sell 300,000 between launch and Christmas. In fact, the figure was over 1m.

"We could have sold 2.5m; the demand was just staggering," says Mr Ayres.

So great was the demand that the company had lots of competition within six months. Channel 5, the Polygram/Heron video group, Vestrobn and BBC Enterprises, the commercial arm of the BBC were all "pretty nifty" in seeing the potential.

Some titles have endured. The Quiet Man, for instance, has sold more than 500,000 copies and is still selling at the rate of 1,000 copies a day.

Despite the much intensified competition Mr Ayres, now chief executive of Strand VCI, a management buy-out from Prestwich including The Video Collection, estimates he has 19-20 per cent of the 45m cassette sell-through market in the UK – between 16-17 per cent by value and that publishing videos accounts for about half The Video Collection's annual turnover of around £100m. Other activities include manufacturing video cassettes and video duplication.

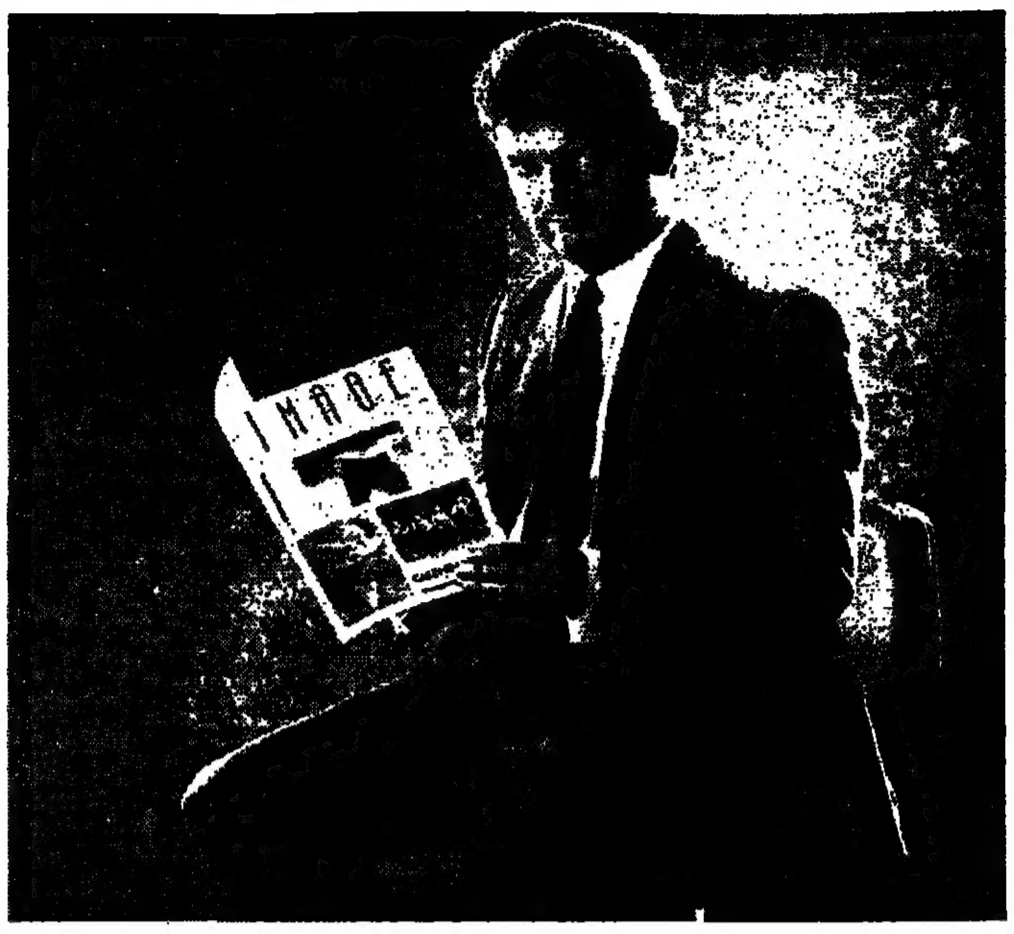
Now the business is much wider and ranges from feature films, now £5.99 and cartoons to music, sport, fitness and How to ... cassettes.

Co-production deals with Independent Television News have led to successful launches such as The Botham Story and Great Battles – The Turning Points of World War II.

Mr Ayres believes that the desire of the public to collect things will lead to continued growth. Within a couple of years, he believes, the sell-through market will have overtaken the rental market.

"I never had any doubt that the concept would last and would outlive rental," he says.

Raymond Snoddy



Steve Ayres: "I wanted to blow people's socks off"

High-speed Sony Sprinter duplication: reaping the advantages of economies of scale

CASSETTE DUPLICATION

The business thrives again

THE EXPLOSIVE growth of video cassette recorders in the early 1980s has led to a growth in more than just the hardware industry.

The renting of tapes has provided a high street industry worth hundreds of millions of pounds. The retail industry has now taken hold. Both these phenomena have produced another industry, that of cassette duplication.

The four major players in the video duplication market, Rank, Technicolor, Fraser Peacock and Videoprint found themselves swamped with demand from the distributors of pre-recorded cassettes. Now, though, the lagging economy has hit the video industry badly.

There was a way out, though, for the duplicators. The rental market reached its zenith around 18 months ago. Since then, the stagnant growth of video, coupled with the new interest in satellite channels, has caused a decline. Hope was not far away though, thanks to the dramatic growth of the retail, or sell-through, market.

Once the £9.99 price tag for a video had been established by both the industry and the consumer (£14.99 was just too much), the retail grip took hold. This was good news for the industry, as it soon became apparent that it was not just feature films that sold, but sport, children's films and music.

If it was good news for video companies, it was great news for duplicators. Not only was the business thriving again, but the numbers were also increasing. A feature film released onto the *rental* market will require 60,000 units if it is a major release, 20,000 for an average title. However, for the retail market the figures can go up to well over 200,000, allowing the duplicator more economies of scale. All the duplicators are now heavily involved in retail.

But even this is not enough to guarantee profitability and jobs. As Mr Hugh Corrance, Rank Video Services' managing director, explains, demand for retail distribution is seasonal. "The problem is that all the distributors want their product for the Christmas market, which means that the schedules are squeezed into the autumn period. We are trying to persuade the distributors to spread their load throughout the year, building up Christmas stock, but that has its difficulties as well because of the stocking problem."

Mr Corrance identifies packaging as another severe problem which the industry faces. While the technological side becomes more obsessed with high-speed duplication to increase output capacity, packaging remains entrenched in the labour-intensive dark ages. Once a video cassette has been duplicated, it has to be placed by hand into its box and the sleeve, again by hand, is added. He adds: "We are investing in a machine which cracks open the video shell, inserts the sleeve and places the cassette, but it's cumbersome and time-consuming."

The only solution seems to be what Mr Corrance refers to as slip cases, cardboard boxes which the tape is slipped into. They are cheap and can be mechanised. However, consumers expect their videos in quality plastic boxes, although Mr Corrance says: "I hope slip cases will soon be acceptable in Britain as they are standard in the US."

Europe holds the key to expansion and, as 1992 approaches, all the duplicators are gearing up towards the European markets.

Videoprint, for example, has invested £12m in an 86,000 sq ft plant near the docks in Ipswich. Mr Brian Bonnar, managing director, says it is ideally situated to feed the European market. "The DTI hype about 1992 will not be hype as far as the video industry is concerned," he says. "We could have standardisation of video formats, standardisation of the British Board of Film Classification's standards and regulations right across Europe. The Ipswich plant will ship goods into Europe by 3pm the next day."

Videoprint has already secured a deal with the Spanish video market to duplicate more than 800,000 units of 27 feature film titles. This is thought to be the largest single order for a UK duplication company. The Ipswich plant will handle this order. Its total capacity is 1.9m cassettes a month, and is the first plant in Europe devoted entirely to high-speed Sony Sprinter duplication. Videoprint also claims the UK's largest Secam capacity, essential for the French market, and has local representation in France and Spain.

Technicolor already has an established European set-up, with a plant in Helmond, near Eindhoven, Holland. This has a capacity of 7.5m to 10m units per annum, and 10 per cent of the UK plant's capacity of 5m is for the European market. Turnaround time varies between three and seven days and freight time is a maximum of 48 hours.

Mr Richard Gray, Technicolor's sales and marketing director, comments: "As European territories develop and grow, obviously the volume requirement will be greater. We are very committed to the Dutch plant and the European market."

Not surprisingly, the biggest investment in Europe is being made by Rank, the UK's leading duplicator. The UK operation currently turns over 30m cassettes per annum, but is constantly looking to expand. Rank is now on the brink of opening a new plant in Willstaaett, Germany, and other countries are also being considered as their markets increase.

The Willstaaett plant is due to open next month, and will have 2,500 real-time VCRs. The plant will be run by a German manager and will initially employ 150 people. It will be located in a leased building at the BASF tape coating plant. Mr Corrance says: "This major European investment is part of our strategy to have a network of duplication plants in all of the principal markets. As the European video market expands, we intend to offer it high levels of service and quality, local to its needs."

Without that kind of European perspective, all the signs are that domestic video duplication companies will be left behind.

Mike Martin
Features Editor, Video Week

The rise and fall of Parkfield Group

The bad apple that spoiled the barrel

ON JANUARY 9, Parkfield Group – a mini-conglomerate with interests ranging from alloy wheel manufacture to video distribution – reported that a 103 per cent rise in interim profits to £13.86m.

The figure added to an already impressive track record. In the five full years between 1985 and 1989, pre-tax profits at the Haslemere-based company had soared from just £375,000 to £23.16m.

By July 19, one day after it requested that its shares be suspended, the group was in the hands of administrators. Its overall liabilities have since been put at £309m.

The collapse has added grist to several wide-ranging debates. Can accounting requirements be modified so that a company's published financial history provides a better early warning of incipient problems? How are conglomerates best structured so that one bad apple does not spoil the whole barrel?

But, above all, it has underlined how quickly a business can turn sour if fundamental decisions are based on poor market intelligence and subsequent intra-company information flows are not up to scratch.

In Parkfield's case, the bad apple was its much-vaunted entertainment division, which specialised in distribution to the video sell-through market, but whose activities encompassed video rental and satellite receiver system distribution, as well as the Hollywood Nites chain of independent video dealers. In its last published report and accounts, Parkfield boasted of holding exclusive sell-through dealerships for RCA/Columbia, Warner/Weintraub and MGM/UA among others.

The poor intelligence revolved around the size of the UK sell-through video market, which the group projected would expand much more rapidly than actually proved to be the case. (Sell-through products are those available at the likes of Woolworth, WH Smith and Our Price, often for £9.95.)

According to an insider, Parkfield was at one point estimating that this market would total 70m units. Though "they did come down to 50m-60m," in the event, actual sales amounted to nearer 30m.

"Sales projections were optimistic," admitted Mr Roger Felber, chairman, at a creditors' meeting staged at Solihull's National Motor Cycle Museum on the last day of August.

Instead of the 70m units estimated, actual sales amounted to nearer 30m

The consequences of this mistake were magnified both by the group's aggressive strategy and the degree of forward planning rendered necessary by the characteristics of the market.

The sell-through sector is highly seasonal, with sales concentrated in the final quarter. At the same time, manufacturing capacity has recently been scarce enough to entail that orders be placed well in advance if a distributor is to have the right product in the right place during those crucial three months without incurring unacceptable costs.

"It is quite appropriate to take commercial decisions in April or May for fourth quarter sales," says one industry executive. "You have got to get your forecasts right, not only by total volumes, but also by title."

This need was all the more acute in Parkfield's case, insiders say, because the group was frequently willing to shave its margins for the sake of market share. This often entailed inheriting market risk from film distributors and retailers alike, they say.

A former employee of one leading Hollywood studio outlines the terms negotiated with Parkfield in return for exclusive distribution rights. "The deal was an annual volume deal with phased deliveries throughout the year," he says. "Parkfield paid a unit price and if they couldn't sell the videos, there was no return."

This type of purchase contract is said to have contrasted with the structure of the deals struck with some leading retailers. "The contracts they had with the Hollywood studios allowed for a very small percentage of returns, while in certain cases the sale and return policy with high street multiples allowed for 20 per cent," says another individual close to Parkfield.

Under such circumstances, a stock problem was always likely to develop if the group's sales projections proved erroneous, since the commitments entered into with the studios would have prevented Parkfield modulating supply in line with *actual demand*. "We were not fully aware of the extent of the commitments made for the delivery of videos," said Mr Felber at the Solihull creditors' meeting.

The situation was exacerbated by distribution headaches which afflicted the group in the second half of last year.

A former Parkfield executive traces the origin of these difficulties back to the installation of a new computer system. "They put in an untried computer with untested software," he says. "Apparently the software package purchased had something like 300 bugs and they were live."

When the peak volume period arrived, the group's distribution set-up simply could not cope. "Their order fulfilment rate fell to 60 per cent just before Christmas," according to one individual close to the group. Meanwhile, new material that it had committed to take from the studios continued to flood in.

By February, the group was finding that its efforts to trade out of its excess stock position were being hampered by the flat UK video market. At this point Mr Paul Feldman, entertainment director, resigned and the shares began their long slide towards the 48p suspension price. An opportunity to secure a hefty cash injection by selling the company's pressings and fabrications division had arisen, however.

The difficulties may be traced back to the installation of a new computer system

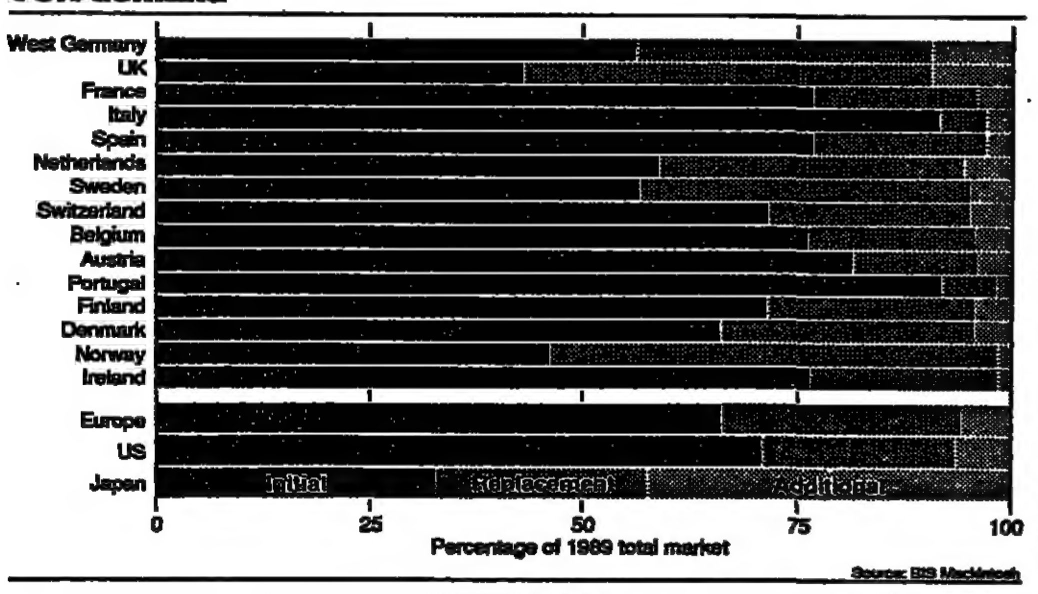
Unfortunately, the prospective deal ran into unexpected and ultimately insuperable problems, and in June the group was forced to put out a profit warning. By this time, insiders say, the company had decided to address its stock problem by terminating several purchase agreements and renegotiating retailer agreements at considerable cost.

The warning, in turn, triggered a debilitating run on Parkfield's trade credit. This is said to have pushed borrowings to unacceptable levels, causing some of the group's loan covenants to be breached.

This put the company "in the game of having to put together a financial package," according to one insider. It was after the failure of attempts to agree such a package that administrators were called in.

David Owen

VCR demand



EUROPEAN MARKET

More mature types turn to VCRs

THE VIDEO cassette recorder used to be a young person's toy, says Mr Doug Hopper, marketing controller at Ferguson, the UK consumer electronics manufacturer.

In recent months, however, a new group of purchasers has emerged: the over-55s. Many of them have paid off their mortgages. Their savings have been benefiting from Britain's high interest rates. These older buyers have helped to keep VCR sales buoyant at a time of sagging consumer expenditure.

The UK experience demonstrates that VCR manufacturers in Europe are unlikely to run out of customers. While most European households have a television set, a far lower proportion owns a VCR.

In Europe as a whole, 49 per cent of households own a VCR, compared with 81 per cent in the US, according to consultants BIS Mackintosh. In Japan, where some families have more than one VCR, the figure is 116 per cent.

The UK had the highest penetration of VCRs in Europe at the end of 1989, with 72 per cent of households owning one. Next in line were the Swiss, with 64 per cent of households owning a VCR, followed by Germany (60 per cent) and the Netherlands (57 per cent). In France, 42 per cent of households had a video. In Italy, the proportion was only 27 per cent.

The European VCR market is still an immature one, with many European households only now acquiring a video for the first time. In almost all European countries, over 50 per cent of VCR purchasers are first-time buyers. BIS Mackintosh says that only in the UK and Norway do first-time purchasers account for less than 50 per cent of total buyers. In France, Italy, Spain, Austria, Belgium, Portugal and the Republic of Ireland, over three-quarters of those buying VCRs have never owned one before.

One of the reasons that VCRs achieved such high market penetration in the UK is that it is common for British consumers to rent electronic gadgets rather than buy them. Equipment rental is relatively uncommon in the rest of Europe. "Rental helped UK penetration to grow very fast in the early 1980s, at a time when VCRs were expensive and of doubtful quality," says Mr Frans Verschuren, head of video product market research at Philips, the Dutch electronics manufacturer. "The fact that UK consumers could rent rather than buy made them more prepared to take a chance."

VCR penetration in France, on the other hand, was held back by the French government's attempts in the early 1980s to limit sales. Owners of VCRs had to pay an annual licence fee of FFr600, about the same as the licence fee for colour television sets. The government also insisted that all imported VCRs had to clear customs at the central French city of Poitiers. Both actions were an attempt to limit the sales of Japanese electronics companies.

These restrictions were later lifted and French VCR levels have begun to catch up with those of the UK and Germany. Mr Paul-Louis Meunier, who is in charge of new products at Thomson Consumer Electronics of France says, however, that France will continue to differ from the UK and Germany in its attitude to VCRs. "There are differences in lifestyle. France is a Latin country and the people spend more of their time out of doors. The UK and Germany have colder climates and people spend more time in their drawing-rooms," he says.

Italy is another country whose inhabitants enjoy being out of doors. Partly as a result, it has also been a late starter in the video market. Mr Verschuren says that while new television offerings can boost video sales, the plethora of channels in Italy retarded the growth of the market. Italian viewers felt they already had enough to watch, he says, and not enough of it was of a quality that would make them want to record it.

Mr Meunier says that managers selling into the newer European market have several advantage over those who sold VCRs in better-established markets like Japan and the UK. In the early days of video, the battle between the VHS and Betamax formats led to buyers postponing their purchasing decision. This is not an issue for the new generation of European buyers now that the standards issue has been settled decisively in favour of VHS.

Mr Mike Brewerton of BIS Mackintosh adds that European first-time purchasers are being offered VCRs which are better-designed and easier to use than the machines available in the early days of video.

The increasing number of satellite channels will help to increase VCR sales in Europe, Mr Brewerton says. But, he adds, "I doubt that European penetration will reach Japanese levels. The cultural factor is still important. The Japanese are generally much keener on electronic equipment. Their spend per head on consumer electronics as a whole is at a much higher level than in Europe."

Michael Skapinker

Home video penetration levels

Household penetration (percent), end 1989 figures